



Emfuleni Local Municipality
Annual Financial Statements
for the year ended 30 June 2017

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Abbreviations

ELM	Emfuleni Local Municipality
DBSA	Development Bank of South Africa
GRAP	Standards of Generally Recognised Accounting Practice
RUL	Remaining Useful Life
EUL	Estimated Useful Life
AUC	Asset under construction
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Local Government : Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
AFS	Annual Financial Statements
PAYE	Pay As You Earn
UIF	Unemployment Insurance Fund

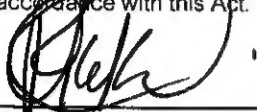
Emfuleni Local Municipality

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Accounting Officer's responsibilities and approval

I am responsible for the preparation of these financial statements which are set out on pages 5 to 78, in terms of the Local Government: Municipal Finance Management Act, 2003 (Act no. 56 of 2003) and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of councillors as disclosed in Note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act, 1998 (Act no. 20 of 1998) and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act.



C Kekana
Acting Municipal Manager

31/8/2017

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

	Note(s)	2017 R	2016 Restated* R
Assets			
Current assets			
Cash and cash equivalents	2	66,839,955	125,928,879
Trade and other receivables from exchange transactions	3	310,425,026	241,751,301
Trade and other receivables from non-exchange transactions	4	302,266,442	244,194,151
Inventories	5	58,862,552	58,791,545
VAT receivable	6	174,143,915	107,098,234
		912,537,890	777,764,110
Non-current assets			
Property, plant and equipment	7	9,666,770,437	9,892,928,194
Investment property	8	1,583,593,946	1,400,653,493
Intangible assets	9	17,838,329	18,049,449
Heritage assets	10	90,316	90,316
Sanlam shares		17,470	16,279
		11,268,310,498	11,311,737,731
Total Assets		12,180,848,388	12,089,501,841
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	11	2,157,268,975	1,404,711,637
Unspent conditional grants and receipts	13	20,320,872	7,840,806
Borrowings	14	2,719,829	4,405,728
Finance lease	15	6,849,736	-
Provision	16	15,269,952	9,439,218
Bank overdraft	2	87,630,391	48,666,507
		2,290,059,755	1,475,063,896
Non-current liabilities			
Consumer deposits	12	46,953,563	44,884,636
Borrowings	14	8,768,347	11,488,176
Provision	16	153,534,585	135,119,545
Employee benefit obligation	38	209,760,970	208,836,970
Finance lease	15	10,670,337	-
		429,687,802	400,329,327
Total liabilities		2,719,747,557	1,875,393,223
Net assets		9,461,100,831	10,214,108,618
Reserves			
Self insurance reserve	47	2,139,552	24,220,470
Accumulated surplus		9,458,961,263	10,189,888,120
Total Net Assets		9,461,100,815	10,214,108,590

* See Note

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Performance

	Note(s)	2017 R	2016 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	17	3,665,346,702	3,403,178,196
Rental of facilities and equipment	18	12,152,285	12,005,429
Trade and other licenses		117,359	99,170
Actuarial gain		10,240,881	7,950,631
Other income	20	136,469,510	137,312,563
Interest income	19	53,149,426	44,666,223
Dividends received	19	-	3,025
Total revenue from exchange transactions		3,877,476,163	3,605,215,237
Revenue from non-exchange transactions			
Property rates	21	660,532,525	598,394,248
Interest received		-	2,671,681
Donations		11,605,021	56,705,650
Fines	23	165,126,155	128,278,156
Transfer revenue			
Government grants & subsidies	22	869,359,907	884,953,489
Total revenue from non-exchange transactions		1,706,623,608	1,671,003,224
Total revenue		5,584,099,771	5,276,218,461
Expenditure			
Employee related costs	24	(1,156,508,353)	(955,415,245)
Remuneration of councillors	25	(49,341,720)	(47,012,902)
Depreciation and impairment		(479,227,086)	(444,652,379)
Finance costs	26	(80,412,511)	(64,091,964)
Debt Impairment		(1,136,645,921)	(726,687,941)
(Loss)/Gain on sale of assets		(4,197,325)	1,869,772
Repairs and maintenance		(233,882,688)	(130,914,492)
Bulk purchases	27	(2,216,006,120)	(2,152,372,625)
Contracted services		(145,882,912)	(116,558,302)
Imputed interest		7,610,230	12,059,418
General expenses	28	(1,031,712,106)	(970,179,855)
Total expenditure		(6,526,206,512)	(5,593,956,515)
Operating deficit		(942,106,741)	(317,738,054)
Fair value adjustments		190,259,512	32,685,328
(Deficit)/surplus for the year		(751,847,229)	(285,052,726)

* See Note

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of changes in net assets

	Insurance reserve R	Accumulated surplus R	Total net assets R
Balance at 01 July 2015	25,578,843	10,485,784,848	10,511,363,691
Changes in net assets			
Adjustment 2014/15	-	(12,202,375)	(12,202,375)
Net transfers in net assets	-	(12,202,375)	(12,202,375)
Surplus for the year	-	(285,052,726)	(285,052,726)
Total recognised income and expenses for the year	-	(297,255,101)	(297,255,101)
Other 2	(1,358,373)	1,358,373	-
Total changes	(1,358,373)	(295,896,728)	(297,255,101)
Opening balance as previously reported	24,220,470	10,122,175,830	10,146,396,300
Adjustments			
Adjustment 2015/2016	-	66,551,744	66,551,744
Restated* Balance at 01 July 2016 as restated*	24,220,470	10,188,727,574	10,212,948,044
Changes in net assets			
Deficit for the year	-	(751,847,229)	(751,847,229)
Other 1	(22,080,918)	22,080,918	-
Total changes	(22,080,918)	(729,766,311)	(751,847,229)
Balance at 30 June 2017	2,139,552	9,458,961,263	9,461,100,815

* See Note

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Cash flow statement

	Note(s)	2017 R	2016 Restated* R
Cash flows from operating activities			
Receipts			
Sale of goods and services		2,690,051,062	2,601,219,256
Grants		881,839,973	862,268,037
Interest income		13,581,187	23,134,709
Dividends received		-	3,025
Other receipts		669,073,971	883,775,338
		<u>4,254,546,193</u>	<u>4,370,400,365</u>
Payments			
Employee costs		(1,206,774,073)	(964,457,601)
Suppliers		(1,843,143,375)	(2,240,109,024)
Finance costs		(42,367,470)	(24,278,138)
Other payments		(1,037,890,051)	(954,307,015)
		<u>(4,130,174,969)</u>	<u>(4,183,151,778)</u>
Net cash flows from operating activities	29	<u>124,371,224</u>	<u>187,248,587</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(225,737,364)	(242,357,562)
Proceeds from sale of assets	7	9,574,374	9,482,913
Purchase of intangible assets	9	(1,311,591)	(134,946)
Net cash flows from investing activities		<u>(217,474,581)</u>	<u>(233,009,595)</u>
Cash flows from financing activities			
Repayment of borrowings		(2,719,829)	(4,268,305)
Movement in consumer deposits		2,068,927	2,503,737
Finance lease payments		(4,298,548)	-
Net cash flows from financing activities		<u>(4,949,450)</u>	<u>(1,764,568)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(98,052,807)</u>	<u>(47,525,576)</u>
Cash and cash equivalents at the beginning of the year		77,262,372	123,981,682
Effect of corrections on cash balances		-	806,266
Cash and cash equivalents at the end of the year	2	<u>(20,790,435)</u>	<u>77,262,372</u>

* See Note

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of comparison of budget and actual amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	4,340,335,767	(39,291,913)	4,301,043,854	3,665,346,702	(635,697,152)	
Rental of facilities and equipment	13,743,609	5,403,047	19,146,656	12,152,285	(6,994,371)	
Trade and other licenses	13,051	100,342	113,393	117,359	3,966	Note 41
Actuarial gain	-	-	-	10,240,881	10,240,881	Note 41
Other income	54,144,558	27,674,477	81,819,035	136,469,510	54,650,475	
Interest received	47,815,281	(4,872,175)	42,943,106	53,149,426	10,206,320	Note 41
Total revenue from exchange transactions	4,456,052,266	(10,986,222)	4,445,066,044	3,877,476,163	(567,589,881)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	787,746,962	183,761,414	971,508,376	660,532,525	(310,975,851)	
Donations	-	-	-	11,605,021	11,605,021	Note 41
Fines	169,260,357	(115,017)	169,145,340	165,126,155	(4,019,185)	
Transfer revenue						
Government grants & subsidies	869,843,056	20,586,260	890,429,316	869,359,907	(21,069,409)	
Total revenue from non-exchange transactions	1,826,850,375	204,232,657	2,031,083,032	1,706,623,608	(324,459,424)	
Total revenue	6,282,902,641	193,246,435	6,476,149,076	5,584,099,771	(892,049,305)	
Expenditure						
Personnel	(1,054,424,383)	37,347,145	(1,017,077,238)	(1,156,508,353)	(139,431,115)	
Remuneration of councillors	(48,832,209)	85,262	(48,746,947)	(49,341,720)	(594,773)	
Depreciation and amortisation	(402,058,656)	(315,924)	(402,374,580)	(479,227,086)	(76,852,506)	Note 41
Finance costs	(10,331,589)	-	(10,331,589)	(80,412,511)	(70,080,922)	
Bad debts written off	(736,001,189)	(193,863,431)	(929,864,620)	(1,136,645,921)	(206,781,301)	
(Loss)/gain on disposal of assets	-	-	-	(4,197,325)	(4,197,325)	Note 41
Repairs and maintenance	(259,523,665)	(330,246)	(259,853,911)	(233,882,688)	25,971,223	Note 41
Bulk purchases	(2,391,311,493)	59,000,000	(2,332,311,493)	(2,216,006,120)	116,305,373	Note 41
Contracted Services	(186,793,582)	38,622,633	(148,170,949)	(145,882,912)	2,288,037	
Imputed interest	-	-	-	7,610,230	7,610,230	Note 41
General Expenses	(847,952,498)	153,378,501	(694,573,997)	(1,031,712,106)	(337,138,109)	Note 41
Total expenditure	(5,937,229,264)	93,923,940	(5,843,305,324)	(6,526,206,512)	(682,901,188)	
Operating deficit	345,673,377	287,170,375	632,843,752	(942,106,741)	(1,574,950,493)	
Fair value adjustments	-	-	-	190,259,512	190,259,512	
Deficit before taxation	345,673,377	287,170,375	632,843,752	(751,847,229)	(1,384,690,981)	
Actual amount on comparable basis as presented in the budget and actual comparative statement	345,673,377	287,170,375	632,843,752	(751,847,229)	(1,384,690,981)	

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Statement of comparison of budget and actual amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of financial position						
Assets						
Current assets						
Inventories	30,000,000	(1,340,000)	28,660,000	58,862,552	30,202,552	
Trade and other receivables from non-exchange transactions	200,000,000	174,390,000	374,390,000	302,266,442	(72,123,558)	Note 41
VAT receivable	-	-	-	174,143,915	174,143,915	Note 41
Trade and other receivables from exchange transactions	453,685,000	(12,127,000)	441,558,000	310,425,026	(131,132,974)	
Cash and cash equivalents	91,125,000	15,948,000	107,073,000	66,839,955	(40,233,045)	Note 41
	774,810,000	176,871,000	951,681,000	912,537,890	(39,143,110)	
Non-current assets						
Investment property	1,373,409,000	28,650,000	1,402,059,000	1,583,593,946	181,534,946	
Property, plant and equipment	10,741,391,000	(982,407,000)	9,758,984,000	9,666,770,437	(92,213,563)	
Intangible assets	19,555,000	(1,594,000)	17,961,000	17,838,329	(122,671)	
Heritage assets	108,000	(18,000)	90,000	90,316	316	
Sanlam shares	-	-	-	17,470	17,470	Note 41
	12,134,463,000	(955,369,000)	11,179,094,000	11,268,310,498	89,216,498	
Total Assets	12,909,273,000	(778,498,000)	12,130,775,000	12,180,848,388	50,073,388	
Liabilities						
Current liabilities						
Borrowings	2,689,000	(508,000)	2,181,000	2,719,829	538,829	
Finance lease	-	-	-	6,849,736	6,849,736	
Trade and other payables from exchange transactions	465,026,000	1,349,302,000	1,814,328,000	2,157,268,975	342,940,975	Note 41
Unspent conditional grants and receipts	-	-	-	20,320,872	20,320,872	
Provision	27,584,000	(4,591,000)	22,993,000	15,269,952	(7,723,048)	Note 41
Bank overdraft	-	-	-	87,630,391	87,630,391	
	495,299,000	1,344,203,000	1,839,502,000	2,290,059,755	450,557,755	
Non-current liabilities						
Borrowings	16,800,000	(5,174,000)	11,626,000	8,768,347	(2,857,653)	Note 41
Finance lease	-	-	-	10,670,337	10,670,337	
Employee benefit obligation	448,770,000	(37,410,000)	411,360,000	209,760,970	(201,599,030)	Note 41
Provision	-	-	-	153,534,585	153,534,585	Note 41
Consumer deposits	36,845,000	9,194,000	46,039,000	46,953,563	914,563	Note 41
	502,415,000	(33,390,000)	469,025,000	429,687,802	(39,337,198)	
Total liabilities	997,714,000	1,310,813,000	2,308,527,000	2,719,747,557	411,220,557	
Net assets	11,911,559,000	(2,089,311,000)	9,822,248,000	9,461,100,831	(361,147,169)	

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Annual Financial Statements for the year ended 30 June 2017

Statement of comparison of budget and actual amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R		
Net assets						
Reserves						
Insurance reserve	27,036,000	(2,815,000)	24,221,000	2,139,552	(22,081,448)	
Accumulated surplus	11,884,523,000	(2,086,496,000)	9,798,027,000	9,458,961,279	(339,065,721)	
Total Net Assets	11,911,559,000	(2,089,311,000)	9,822,248,000	9,461,100,831	(361,147,169)	

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Annual Financial Statements for the year ended 30 June 2017

Statement of comparison of budget and actual amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R		
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	3,509,001,000	(1,471,184,000)	2,037,817,000	-	(2,037,817,000)	
Grants	869,843,000	29,671,000	899,514,000	-	(899,514,000)	
Interest income	47,815,000	10,509,000	58,324,000	-	(58,324,000)	
Other receipts	829,828,000	772,581,000	1,602,409,000	-	(1,602,409,000)	
	5,256,487,000	(658,423,000)	4,598,064,000	-	(4,598,064,000)	
Payments						
Employee costs and suppliers	(4,899,039,000)	(32,168,000)	(4,931,207,000)	-	4,931,207,000	
Finance costs	(10,332,000)	-	(10,332,000)	-	10,332,000	
	(4,909,371,000)	(32,168,000)	(4,941,539,000)	-	4,941,539,000	
Net cash flows from operating activities	347,116,000	(690,591,000)	(343,475,000)	-	343,475,000	
Cash flows from investing activities						
Purchase of property, plant and equipment	(328,917,000)	(17,955,000)	(346,872,000)	-	346,872,000	
(Increase)/decrease in non-current investments	-	20,418,000	20,418,000	-	(20,418,000)	
Net cash flows from investing activities	(328,917,000)	2,463,000	(326,454,000)	-	326,454,000	
Cash flows from financing activities						
Increase(decrease) in consumer deposit	-	1,155,000	1,155,000	-	(1,155,000)	
Repayment of borrowings	(16,800,000)	(135,287,000)	(152,087,000)	-	152,087,000	
Net cash flows from financing activities	(16,800,000)	(135,287,000)	(152,087,000)	-	152,087,000	
Net increase/(decrease) in cash and cash equivalents	1,399,000	(823,415,000)	(822,016,000)	-	822,016,000	
Cash and cash equivalents at the beginning of the year	123,982,000	(47,526,000)	76,456,000	-	(76,456,000)	
Cash and cash equivalents at the end of the year	125,381,000	(870,941,000)	(745,560,000)	-	745,560,000	

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting policies

1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in the accounting policies are explained in the relevant policy.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation

The preparation of annual financial statements in conformity with standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates. Significant judgements and underlying assumptions are reviewed on a constant basis. Significant judgements include:

The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period.

Trade receivables and other receivables

The municipality assesses its trade and other receivables for impairment at the end of each quarter. In determining whether an impairment loss should be recorded in surplus or deficit, the management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and other receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The municipality reviews and tests the carrying value of assets when events and changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest value for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Provisions

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Assumptions were used in determining the provision for rehabilitation of landfill sites. Landfill areas are rehabilitated over years and assumptions were made that the areas may stay the same in size for a number of years.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting policies

1.2 Significant judgements and sources of estimation (continued)

Contingent liabilities

Contingencies disclosed in the current year required estimates and judgements. Additional disclosure of these contingent liabilities is included in the relevant note.

Useful lives of assets

The municipality's management determines the estimated useful lives and related depreciation charges for assets. These norms are based on South African Institution of Civil Engineering norms. Management will decrease the depreciation charge where useful lives are more than previously estimated useful lives.

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The discount rate was set as the nominal and zero curves as at 30 June 2017 supplied by the JSE and the CPI assumptions at each relevant time period.

Other key assumptions for pension obligations are based on current market conditions.

Effective interest rate

The municipality used the prime interest rate plus 2% to discount future cash flows as at 30 June 2017. This rate is similar to the interest rate levied on arrear consumer accounts.

Impairment of receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments due and an assessment of their ability to make payments based on their credit worthiness. This was performed per service identifiable category across all classes of debtors.

Property plant and equipment

The useful life of property plant and equipment are based on management's estimation. Infrastructure assets useful life are based on technical knowledge of the infrastructure types and service requirements. For other assets and buildings, management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation where appropriate.

Self- Insurance reserve

A self-insurance reserve has been established which covers claims that may occur. Premiums are charged to the respective services, taking into account claims history and replacement value of the insured assets.

Other

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses are recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts.

1.3 Investment property

Initial measurement

Investment property is initially recognised at cost.

Subsequent measurement

Subsequently investment property is recognised at fair value and fair value of investment property reflects market conditions at the reporting date.

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1.3 Investment property (continued)

Where investment property is acquired through a non-exchanged transaction, its cost is its fair value as at the date of acquisition. A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Compensation from third parties for investment property that was impaired, lost or given up, is recognised in surplus or deficit when the compensation becomes receivable.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Derecognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. A gain or loss arising from the disposal or retirement of an item of investment property is determined as difference between the proceeds and the carrying value and is recognised in the statement of financial performance.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

Initial measurement

Property, plant and equipment is initially measured at cost.

Assets acquired by grant or donation are newly identified assets.

Property, plant and equipment are measured at fair value at the date of acquisition, where assets have been acquired by donation or grant and for assets that are newly identified through formal assets verification procedures for which cost records are not available or not reliable at the date of acquisition.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Subsequent measurement

After initial recognition property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Enhancement to property, plant and equipment do not qualify as assets unless these extend the useful life of the enhanced property, plant and equipment. Day to day servicing cost of an assets are not recognised in the carrying amount of an item of property, plant and equipment.

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1.4 Property, plant and equipment (continued)

Major spare parts, standby equipment which are expected to be used for more than one period are included in the property, plant and equipment. In addition, spare parts and standby equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Depreciation is calculated on the depreciable amount (Cost less residual value), using the straight line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:

Item	Depreciation method	Average useful life
Infrastructure		
• Roads and paving		20
• Electricity		50-60
• Water		15-20
• Sewerage		15-20
• Housing		30
Community assets		
• Buildings		30
• Recreational facilities		20-30
• Security		5
Other assets		
• Buildings		30
• Specialised vehicle		10
• Other vehicles		5
• Office equipment		3-7
• Furniture and fittings		7-10
• Water craft		15
• Bins and containers		5
• Specialised plant and equipment		10-15
• Other items of plant and equipment		2-5
• Landfill sites		30-55
• Computer software		3-5
• Art, paintings, sculptures and ornaments		10

An asset only has a residual value when the useful life of the asset (the period the asset is used or available for use) is shorter than the economic life of the asset (the period the asset is used or available for use by all users or owners of the asset). As the municipality plans to use the assets for the entire economic lives, the residual value is considered to be negligible or even zero.

Land is not depreciated as it is deemed to have an indefinite life.

The residual value and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount it is written down immediately to its recoverable amount and an impairment loss is charged to surplus and deficit.

Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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1.4 Property, plant and equipment (continued)

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.5 Intangible assets

Initial measurement

Intangible assets are initially recognised at cost.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

If an intangible asset is acquired through a non-exchange transaction, the cost shall be its fair value as at the date of its acquisition.

Subsequent measurement

After the initial recognition intangible assets with finite useful lives are carried at cost less accumulated amortisation.

Computer software is capitalised to computer equipment where it forms an integral part of computer equipment.

Internally generated intangible assets

Websites

Initial recognition.

Website are internally generated intangible assets that are initially recognised at the value of improvement/development costs in terms of IGRAP16.

The cost of an internally generated intangible asset (website) is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. After initial recognition, and intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment loss.

Subsequent measurement

After initial measurement, websites will be carried at cost less ant accumulated amortisation and impairment loss.

Computer software is capitalised to computer equipment where it forms an integral part of computer equipment.

An intangible assets arising from development(or from development phase of an internal project) is recognised when:

- It is technically feasible to complete the assets so that it will be available for use or sale;
- there is an intention to complete and use or cell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there is available technical, financial and other resources to complete the development and to use or sell the assets;
- the expenditure attributable to the assets during its development can be measured reliably.

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1.5 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

For intangible assets with a finite useful life the residual value is always deemed zero unless:

- A third party has committed to purchase the asset at the end of the useful life;
- There is an active market for the asset and
 - a) the residual value can be determined by reference to that market; and
 - b) it is probable that such market will exist at the end of the asset's useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, internally generated	3-5 years
Computer software, other	3-5 years
Intangible assets under development	3-5 years
Servitudes	Indefinite

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.6 Heritage assets

Heritage assets are defined as any asset that has a cultural, environmental, historical, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if it is probable that economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset. Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Recognition and measurement

Initial recognition

A heritage asset that qualifies for recognition as an asset, is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

The fair value of a heritage asset can be determined from market-based evidence determined by appraisal. An appraisal of the value of the asset is normally undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualification

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1.6 Heritage assets (continued)

Subsequent measurement

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

Depreciation and impairment

Heritage assets are not depreciated.

Heritage assets are reviewed at each reporting date for any indication of impairment.

An impairment is reversed only to the extent that the asset's carrying amount that would have been determined had no impairment been recognised.

Derecognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage assets. The gain or loss arising from the disposal or retirement of heritage asset is determined as a difference between the sales proceeds and the carrying value of the heritage assets and is recognised in the statement of financial performance.

1.7 Financial Instruments

Classification

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, the municipality considers the substance of the contract and not just the legal form.

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

<u>Class</u>	<u>Category</u>
Cash and cash equivalents	Financial asset at amortised cost
Trade and other receivables from exchange transactions	Financial asset at amortised cost
Consumer debtors	Financial asset at amortised cost
Long term receivables	Financial asset at amortised cost
Investments	Financial asset at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

<u>Class</u>	<u>Category</u>
Borrowings	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

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1.7 Financial instruments (continued)

Initial recognition and measurement

Financial assets and financial liabilities are initially recognised at fair value. Where the municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transaction costs are included in the cost of the asset or liability.

Financial assets and financial liabilities are subsequently measured at amortised cost.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or non-collectability.

Impairment of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence that financial assets are impaired can include:

- default or delinquency by a debtor;
- restructuring of an amount due to the municipality on terms that the municipality would not consider otherwise, indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers in the municipality;
- economic conditions that correlate with defaults, or
- the disappearance of an active market for a security

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

The municipality de-recognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the municipality is recognised as a separate asset or liability.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is de-recognised or impaired, or through the amortisation process.

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1.7 Financial Instruments (continued)

Trade and other receivables

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade and other payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

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1.8 Leases (continued)

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Inventories

Inventories include consumable stores, maintenance materials, spare parts for the plant and equipment, work in progress, water, the ash and land and property held for sale.

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Unsold properties for the purpose of resale are accounted for as inventory. The fair value was determined by the appointed Municipal Valuer per the Valuation Roll that came into effect on 1 July 2014. Direct costs are accumulated for each separately identifiable development. Costs also include a portion of overhead cost, if the cost occur frequently and are separately identifiable.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. Assets that generate a commercial return are those that generate positive cashflows which are expected to be significantly higher than the cost of the assets. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Assets that are subject to impairment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered.

An impairment loss is recognised if the recoverable amount of an asset is less than the carrying amount. The impairment loss is recognised as an expense in the statement of financial performance immediately. The recoverable amount of the asset is the higher of asset fair value less cost of disposal and its value in use.

The fair value represents the amount obtainable from the sale in an arm's length transaction between knowledgeable and willing parties.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the assets belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or group of assets. An impairment loss is recognised whenever the recoverable amount of a cash-generating unit is less than its carrying amount.

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1.10 Impairment of cash-generating assets (continued)

The impairment loss is allocated to reduce the carrying amount of the asset. The carrying amount of individual assets are not reduced below the higher of its value in use, zero or fair value less cost of disposal.

Reversal of impairment loss

A previously recognised impairment loss related to assets is reversed if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognised in prior periods.

After the recognition of an impairment loss, any depreciation charge for the asset is adjusted for future periods to allocate the assets' revised carrying amount on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.11 Impairment of non-cash-generating assets

Non-cash-generating assets are assets where its objective is not to use the asset to generate a commercial return but to deliver services.

Identification

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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1.11 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Other post retirement obligations

The municipality provides post-retirement health care benefits to retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations using the projected unit credit method.

Long term employee benefits

The municipality provides long service awards. Awards are accrued over the period of employment. Independent qualified actuaries carry out valuations of these awards.

1.13 Provisions and contingencies

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

The discount rate is a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.

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1.13 Provisions and contingencies (continued)

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 34.

1.14 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.15 Revenue from exchange transactions

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by:

- surveys of work performed;
- services performed to date as a percentage of total services to be performed; and
- the proportion that costs incurred to date bear to the total estimated costs of the transaction

Revenue arising from application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

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Accounting policies

1.15 Revenue from exchange transactions (continued)

Interest and dividends

Interest is recognised in surplus or deficit using the effective interest rate method.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Prepaid electricity estimation

The electricity is made available to the vendor and the vendor only pays over to the municipality once the electricity is sold, resulting in no electricity on hand at year end.

It is not possible to provide any statistics regarding the electricity smart meters as a process of installing the CIU (Communication device) takes a long time. After the installation of the communication device as well as the correcting of the consumer account, it will be possible to measure electricity on hand at year end.

1.16 Revenue from non-exchange transactions

Measurement

Revenue is measured at the fair value of the asset recorded less any liability recognised.

Rates, including collection charges and penalties interest

Property rates are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria of an asset.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Fines constitute both spot fines and summonses.

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Where the amount due by a particular offender is specified on the notice, summons or equivalent document and the offender is informed of any reductions following certain processes within the municipality's discretion (i.e. it can decide on the reductions) these are estimated when measuring the asset (receivable) and the amount of revenue to be recognised. Any variations in the amount of reductions estimated are treated as a change in the estimated revenue and are accounted for as a change in accounting estimate.

Government grants

Government grants are recognised to the extent that the asset can be recognised less any liability for conditions imposed in terms of the grant.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equaling the fair value of the asset received.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting policies

1.16 Revenue from non-exchange transactions (continued)

Other grants and donations

Where there is conditions attached to the grant, transfer or donation that gives rise to a liability at initial recognition, that liability is transferred to revenue as and when conditions attached to the grant are met.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.17 Gifts and donations, including goods in kind

Gifts and donations, including goods in kind are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in kind

Services in kind are recognised where they are significant to the municipality's operations or service delivery objectives.

1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred and borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of the assets.

1.19 Self-insurance reserve

A self-insurance reserve (SIR) covers claims that may occur, subject to external insurance policy terms and conditions. Premiums are charged to the respective services taking into account claims history, the insured value of property, plant and equipment and number of fleet vehicles.

Repair and replacement costs not fully covered by external insurance are paid from the insurance cost centre expenditure account that is then financed or reimbursed by a transfer from the self-insurance reserve to the insurance cost centre income account.

The calculation for self-insurance contribution for the year is computed by the insurance underwriters based on the computed amount at each year end. A transfer from the accumulated surplus is made towards the self-insurance reserve and is cash backed.

1.20 Comparative figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason of reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

Where there has been a change in the accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.21 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting policies

1.21 Unauthorised expenditure (continued)

Where unauthorised expenditure is not approved, it is recovered from the responsible person and the amount received is accounted for as revenue in the statement of financial performance.

1.22 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Irregular expenditure

Irregular expenditure is expenditure, other than unauthorised expenditure, incurred in contravention of, or that is not in accordance with a requirement of any applicable legislation.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by National Treasury or the relevant authority, is recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account is created if such a person is liable in law. Immediate steps are thereafter taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register is updated accordingly.

1.24 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of Generally Accepted Accounting Practices (GRAP)

1.25 Budget information

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the statement of comparison of budget and actual amounts.

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the municipality provides information on whether resources were obtained and used in accordance with the legally adopted budget. The budget information is based on the same period as the actual amount.

1.26 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Related parties include:

Key management personnel, close members of the family of key management personnel and councillors.

Key management personnel include all directors or members of the municipal council of the reporting entity where that council has jurisdiction. The council, together with the Municipal Manager and Section 56 employees has authority and responsibility to plan and control the activities of the municipality, to manage the resources and for the overall achievement of municipal objectives. Therefore, key management personnel will include the Municipal Manager, Deputy Municipal Managers and Chief Financial Officer of the municipality.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting policies

1.26 Related parties (continued)

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Where transactions occurred between the municipality and any one or more related parties, and those transactions were not within:

- normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances; and
- terms and conditions within the normal operating parameters established by the reporting entity's legal mandate; only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.27 Events after reporting date

Events after the reporting date are defined as favourable and unfavourable events that occur between the reporting date and the date the annual financial statements are authorised for issue.

The date of authorisation for issue is the date on which the Accounting Officer signs off the annual financial statements.

Two types of events can be identified

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date)

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

	2017 R	2016 R
2. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	15,350	16,300
Bank balances	3,391,402	30,021,964
Call accounts	63,433,203	95,890,615
Bank overdraft	(87,630,391)	(48,666,507)
	(20,790,436)	77,262,372
Current assets	66,839,955	125,928,879
Current liabilities	(87,630,391)	(48,666,507)
	(20,790,436)	77,262,372

The primary banking institution is Standard bank, the following secondary banking institutions are also applicable

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
ABSA bank - current account - 530-000-087	3,987,887	8,245,141	1,790,044	7,600,342
ABSA bank - salary account - 405-774-9059	127,008	739,298	127,008	(23,066)
First National Bank - traffic fines - 620-723-53396	944,275	930,523	944,275	930,523
ABSA bank - traffic fines - 407-683-0782	10,000	10,000	10,000	10,000
Standard bank - current account - 420-502-084	(81,513,063)	30,283,823	(86,817,095)	13,007,739
Nedbank - current account - 101-065-4888	201,725	203,424	201,725	203,424
Standard bank - current account - 021-879-370	(119,196)	4,502,392	(813,256)	4,502,392
Standard bank - current account - 080-488-129	318,349	3,790,611	318,349	3,790,611
First National Bank - current account - 624-919-68205	-	(48,666,467)	-	(48,666,467)
Total	(76,043,015)	38,745	(84,238,950)	(18,644,502)

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

2. Cash and cash equivalents (continued)

Call accounts

Invested with	01 July 2016	Invested	Interest capitalised	Withdrawn	Total
ABSA-9208236189	491,648	-	22,486	-	514,134
ABSA-9286830535	16,001,151	-	688,638	(16,537,227)	152,562
ABSA-9289903783	16,742,541	-	684,959	(17,000,205)	427,295
ABSA- 9297192700	9,878,321	-	450,156	(10,050,871)	277,606
ABSA-4087082936	1,093,880	-	2,762	(1,096,642)	-
STD Bank-028606817#54#58#66	14,635,179	-	1,177,691	-	15,812,870
STD Bank-028606817#60#62	1,434,652	-	-	-	1,434,652
STD Bank-028606817#60#68	256,807	-	18,154	-	274,961
Nedbank-03/7881044284#015	930,484	-	-	-	930,484
Nedbank-03/7881044284/0025	3,950,580	-	-	-	3,950,580
Nedbank-03/7881044284/0036	3,357,429	-	231,985	-	3,589,414
Investec - 1400192509500	11,107,178	50,024,032	-	(25,062,590)	36,068,620
FNB - 62601766613	16,010,747	-	246,388	(16,257,135)	-
	95,890,597	50,024,032	3,523,219	(86,004,670)	63,433,178

Unlimited cession dated 25/07/2008 of a Absa call account no 9208236189, Held to partly secure (76%) of a R587 094 financial guarantee facility.

During the financial year the municipality obtained an overdraft facility of R150 000 000 from Standard Bank, as per the terms of condition of the facility, R50 million is repayable on 30 November 2016, another R50 million on 31 March 2017 and the balance repayable on 30 June 2017. The aforesaid conditions on the overdraft agreement were revised to settle the whole amount by the end of June 2017 due to cashflow constraints. As at the end of the financial year an amount of R 87million remained unsettled. No securities were pledged for the overdraft.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

	2017 R	2016 R
3. Trade and other receivables from exchange transactions		
Gross balances		
Electricity	464,519,075	401,920,433
Water	2,770,776,617	2,575,220,325
Sewerage	803,356,154	813,317,951
Refuse	496,251,103	510,242,018
	4,534,902,949	4,300,700,727
Less: Allowance for impairment		
Electricity	(378,873,378)	(362,757,941)
Water	(2,620,604,643)	(2,439,486,421)
Sewerage	(754,430,242)	(768,923,649)
Refuse	(470,569,660)	(487,781,415)
	(4,224,477,923)	(4,058,949,426)
Net balance		
Electricity	85,645,697	39,162,492
Water	150,171,974	135,733,904
Sewerage	48,925,912	44,394,302
Refuse	25,681,443	22,460,603
	310,425,026	241,751,301
Included in above is receivables from exchange transactions		
Current (0-30 days)	250,627,352	220,714,427
31 - 60 days	121,282,077	109,000,567
61 - 90 days	114,635,646	91,731,945
91 days +	4,048,357,874	3,879,253,789
	4,534,902,949	4,300,700,728
Reconciliation of allowance for impairment		
Balance at beginning of the year	(4,058,949,426)	(3,418,999,532)
Contributions to allowance	(861,348,158)	(563,892,215)
Contribution - VAT portion	(116,415,294)	(76,097,779)
Debt impairment written off against allowance	812,234,955	40,100
	(4,224,477,923)	(4,058,949,426)

Credit quality of consumer debtors

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in public sector, through established practices and legislation.

All debtors accounts are assessed for impairments, where applicable we impaired debtors over 90 days, according to the following criteria:

Bad debt

Government accounts : 0% of the total outstanding amount

Sundry accounts: 100% between 91 days and more

Business/industrial: 100% between 91 days and more

Residential: average ratio between 91 days and more

Indigent accounts. 100% of outstanding amount

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

	2017 R	2016 R
3. Trade and other receivables from exchange transactions (continued)		
All other accounts:		
- Outstanding amounts between 181 days and more		
- Balance of amounts not collected under collectable and doubtful debt.		
4. Trade and other receivables from non-exchange transactions		
Property rates	621,910,200	576,906,834
Impairment property rates	(533,022,139)	(495,392,509)
Other debtors	544,650,699	633,352,105
Impairment other debtors	(345,753,572)	(479,435,566)
Other receivables- fines	244,244,464	156,069,230
Impairment fines	(229,763,210)	(147,305,943)
Grant debtors	-	8,482,450
Impairment grant debtor	-	(8,482,450)
	302,266,442	244,194,151
Reconciliation for allowance for impairment		
Opening balance	(1,130,616,468)	(1,083,514,097)
Contribution to allowance	(275,297,764)	(162,795,726)
Contribution - VAT portion	(3,201,876)	(214,772)
Amounts written off as uncollectible	168,476,686	115,908,127
	(1,240,639,422)	(1,130,616,468)
Age analysis: property rates		
Current (0-30 days)	44,759,404	40,302,014
31-60 days	17,998,645	16,144,594
61-90 days	14,852,032	13,210,924
91 days +	544,300,120	507,249,302
	621,910,201	576,906,834
Debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in public sector, through established practices and legislation.		
Interest at a rate of prime plus 2% is levied on arrear debtors accounts.		
All debtors accounts are assessed for impairments, where applicable we impaired debtors over 90 days.		
5. Inventories		
Consumable stores	28,013,649	28,183,630
Water	848,903	607,915
Ash Dump	30,000,000	30,000,000
	58,862,552	58,791,545
6. Value added tax receivable		
VAT	174,143,915	107,098,234

Value added tax is payable on the receipts basis and is paid over to South African Revenue Services only once payment is received from debtors. The value added tax receivable relates to net input vat claimable from SARS.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

Figures in Rand

7. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Building property	541,791,402	(265,598,737)	276,192,665	546,790,477	(237,254,578)	309,535,899
Community assets	754,837,884	(151,377,579)	603,460,305	726,002,857	(126,715,886)	599,287,171
Infrastructure	11,921,270,669	(3,821,341,365)	8,099,929,304	11,807,765,766	(3,412,338,827)	8,395,427,139
Other assets	345,913,472	(243,186,619)	102,726,853	308,398,199	(225,446,063)	83,950,136
Capital work in progress	584,461,310	-	584,461,310	504,727,849	-	504,727,849
Total	14,148,274,737	(4,481,504,300)	9,666,770,437	13,884,683,148	(4,001,754,954)	9,882,928,194

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Fair value adjustment	Disposals / Derecognition	AUC Transfers	Donated assets	Depreciation	Impairment	Total
Building property	309,535,899	-	50,926	(5,050,000)	-	-	(28,344,160)	-	276,192,665
Community assets	599,287,171	520,957	-	(88,000)	28,402,070	-	(18,998,212)	(5,663,681)	603,460,305
Infrastructure	8,395,427,139	1,502,861	-	(116,743)	106,162,826	4,741,095	(387,409,808)	(10,378,066)	8,099,929,304
Other assets	83,950,136	35,742,657	1,664,564	(2,914,585)	-	1,194,528	(16,136,535)	(773,912)	102,726,853
Capital work in progress	504,727,849	214,298,357	-	-	(134,564,896)	-	-	-	584,461,310
	9,892,928,194	252,064,832	1,715,490	(8,169,328)	-	5,935,623	(480,888,715)	(18,815,659)	9,666,770,437

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Fair value adjustment	Disposals / Derecognition	AUC Transfers	Donated assets	Transfer	Depreciation	Impairmen t	Total
Building property	337,420,295	-	-	-	431,000	-	-	(28,315,396)	-	309,535,899
Community assets	611,143,414	-	-	-	5,072,308	-	-	(16,928,551)	-	599,287,171
Infrastructure	8,608,342,451	45,679,155	-	(471,621)	73,559,298	55,884,126	-	(387,566,270)	-	8,395,427,139
Other assets	89,296,763	6,528,080	862,923	(2,348,426)	-	-	(12,977)	(10,147,138)	(229,089)	83,950,136
Capital work in progress	397,045,946	186,744,509	-	-	(79,062,606)	-	-	-	-	504,727,849
	10,043,248,869	238,951,744	862,923	(2,820,047)	-	55,884,126	(12,977)	(442,957,355)	(229,089)	9,892,928,194

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

	2017 R	2016 R
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7. Property, plant and equipment (continued)

Change in estimates, RUL and RV

During the annual review meetings, the RUL, EUL and RV definitions and GRAP requirements were explained to the ELM technical department. Emfuleni Local Municipality technical departments reviewed the EULs, RULs and RVs on existing assets as at 2016. During the review it was decided that certain component's remaining useful life should be changed. The financial implication is that the annual depreciation will decrease by R12 860 397 in the 2016/17 financial year.

De-recognition

During the financial year certain assets were transferred amounting to R65 138 000. Included in this amount is building property assets amounting to R88 000. The derecognitions were included in the 2016/17 asset register.

Provision adjustment

The provision for environmental rehabilitation was restated after a prior year error correcting the value of the underlying assets relating to the provision amounted to R76 563 369 as at 30 June 2017.

Fair value adjustment

Newly identified movable assets to the value of R1 474 037 were added to the fixed asset register after being fair valued.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

		2017 R	2016 R
7. Property, plant and equipment (continued)			
Project UID	Column heading	Class of asset/per project (in aggregate)	Comments on status
EX0395	Roads and stormwater	252,042	Planning Stage started in th
EX0393	Sanitation	693,989	Project started in the 2016/2 expected to be completed e 2017/2018
EX0387	Sanitation	9,252,259	Project started in the 2016/2 expected to be completed e 2017/2018
EX0375	Community Facilities	3,097,822	Planning Stages
EX0352	Roads and stormwater	533,038	Planning Stage started in th not at implementing stage a
EX0351	Roads and stormwater	435,501	In Constructio: Completion e
EX0350	Roads and stormwater	618,148	In Construction: Project Har conducted on 26 July 2017.
EX0349	Roads and stormwater	698,092	Planning Stage started in th not at implementing stage a
EX0348	Roads and stormwater	446,185	Planning Stage started in th not at implementing stage a
EX0343	Sanitation	954,465	Project started in the 2016/2 expected to be completed e 2017/2018
EX0342	Electricity	1,744,746	The project started in 2015/ contractor left the site due to additional de- and re-esta late payments and re-instati
OPEX233	Sanitation	22,923,155	
EX0340	Sanitation	929,053	Mechanical portion complet CivilEngineering side not co of consultant and contractor will only complete work whe was done.
EX0339	Sanitation	4,183,260	Mechanical portion complet CivilEngineering side not co of consultant and contractor will only complete work whe was done.
EX0334	Community Facilities	188,893	
EX0261a	Sanitation	732,843	Planning Stages of project. ' funding is available.
EX0110.1	Roads and stormwater	7,305,956	
EX0109	Roads and stormwater	979,669	
EX0106	Roads and stormwater	2,268,228	
EX0041	Community Facilities	1,886,497	Bophelong ECD Completed
EX0333	Community Facilities	7,560,831	Evaton ECD under construc expected in the 2018/2019 f Planning Stage

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

		2017 R	2016 R
7. Property, plant and equipment (continued)			
EX0329	Community Facilities	316,735	
EX0328	Community Facilities	37,580	Planning Stage
EX0314	Water	4,500,511	Planning Stage
EX0307	Sanitation	5,309,365	Mechanical portion complete. Civil Engineering side not completed. Consultant and contractor will only complete work when was done.
EX0305	Roads and stormwater	4,339,857	Construction Completed. All documentation to be submitted for take on.
EX0302	Community Facilities	7,304,389	
EX0301	Water	467,762	Planning Stage
EX0300	Water	407,047	Planning Stage
EX0299	Water	867,452	Planning Stage
EX0298	Water	522,051	Planning Stage
EX0297	Sports and recreational facilities	7,793,555	In Planning Stage. Contract 2017/2018 financial year.
EX0296	Sports and recreational facilities	22,616,117	Phase 2 in process to be completed expected in the 2018/2019 financial year.
EX0293	Roads and stormwater	836,382	2nd Phase in Planning Stage
EX0289	Community Facilities	231,734	Planning Stage
EX0286	Electricity	6,101,182	The project started in 2013/14, contractor left the site due to late payments and re-estimated. The project started in 2013/14, contractor left the site due to late payments and re-estimated. Money still owed to Eskom is completed due to outstanding. To be capitalised, with local be supplied for take on in the
EX0284	Electricity	20,181,041	
EX0279	Electricity	15,338,833	
EX0278	Electricity	1,326,452	
EX0276	Roads and stormwater	7,874,522	
EX0274.2	Roads and stormwater	8,644,332	The project started in the 2013/14 financial year, the services of the professional service provider terminated in the 2014/2015 financial year with the contract is currently under completion in 2017/2018.
EX0274.1	Roads and stormwater	4,148,973	The project started in the 2013/14 financial year, the services of the professional service provider terminated in the 2014/2015 financial year with the contract is currently under completion in 2017/2018.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

		2017 R	2016 R
7. Property, plant and equipment (continued)			
EX0271	Community Facilities	4,806,874	In progress. Project scheduled for 2018/019. First contractor to be appointed. Various forums from Sharpsville.
EX0270	Water	45,283,943	Multi year project expected to be completed in 2017/2018 financial year.
EX0268	Community Facilities	8,776,863	
EX0265	Electricity	3,898,729	Project started in 2013/2014 experienced work will only be completed in 2017/2018.
EX0264	Sanitation	158,020	Planning Stages of project. Funding is available.
EX0263	Sanitation	429,398	Planning Stages of project. Funding is available.
EX0262	Sanitation	232,459	Planning Stages of project. Funding is available.
EX0261	Sanitation	297,449	Planning Stages of project. Funding is available.
EX0259	Sanitation	593,917	Planning Stages of project. Funding is available.
EX0258	Sanitation	396,165	Planning Stages of project. Funding is available.
EX0236	Roads and stormwater	319,308	Construction Completed. All to be capitalised during in 2017/2018.
EX0223	Electricity	2,788,126	Project Manager left Emfuleni the assets is in the process of being transferred and take on will be completed in 2017/2018 financial year.
EX0221	Electricity	3,388,141	
EX0220	Electricity	586,200	Project Started in the 2011/12 financial year in then process of implementation complete all work.
EX0219	Electricity	5,914,082	The project started in 2012/13 financial year contractor left the site due to additional de- and re-estimate payments and re-installation.
EX0216	Electricity	144,590	
EX0215	Electricity	707,896	Still in process and done in 2017/2018 financial year availability and payment of services.
EX0213	Water & Sanitation	3,694,385	Planning Stage
EX0211	Operational buildings	2,041,622	
EX0210	Community Facilities	220,045	
EX0194	Roads and stormwater	8,602,972	
EX0156c	Electricity	11,029,509	
EX0156b	Electricity	34,620,445	
EX0156a	Electricity	3,914,690	
EX0149	Electricity	18,887,733	The project started in 2012/13 financial year contractor left the site due to additional de- and re-estimate payments and re-installation.
EX0148	Electricity	64,183	To be capitalised, with local government to be supplied for take on in the 2017/2018 financial year.
EX0139	Water	2,416,586	Planning Stage

Emfuleni Local Municipality

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Notes to the annual financial statements

		2017 R	2016 R
7. Property, plant and equipment (continued)			
EX0138	Community Facilities	1,186,172	
EX0135	Community Facilities	60,444,749	ECD's part of this project. O Moedi school old age home and Evaton ECD's still under projects. Recreational Facility was delayed due to stoppage community members requested instead of 30%. The materials on site which caused delays. The contractor was attacked. The contract for the consultant was also terminated of construction and the project in Progress. Construction Completed. Expected in 2017/2018.
EX0132	Operational buildings	22,610,325	
EX0128	Electricity	-	
EX0125	Electricity	9,295,215	The project started in 2011/12; contractor left the site due to late payments and re-estimated. The project manager left the take on will be in the 2017/2018 verification of installation work.
EX0124	Electricity	712,500	
EX0118	Roads and stormwater	2,244,079	
EX0115	Roads and stormwater	1,919,009	Construction Completed. All to be capitalised during in 2017/2018.
EX0114	Roads and stormwater	2,111,862	Construction Completed. All to be capitalised during in 2017/2018.
EX0110	Roads and stormwater	1,312,414	in progress. Some of the Bc roadworks portion and only Consultant terminated. New provider to be appointed to : out on tender for construction.
EX0106b	Roads and stormwater	6,267,648	In progress. Some of the Bc roadworks portion and only Consultant terminated. New provider to be appointed to : out on tender for construction.
EX0103	Sports and recreational facilities	16,652,039	ECD's part of this project. O Moedi school old age home and Evaton ECD's still under projects. Recreational Facility was delayed due to stoppage community members requested instead of 30%. The materials on site which caused delays. The contractor was attacked. The contract for the consultant was also terminated of construction and the project in Progress. Construction Completed. All to be capitalised during in 2017/2018.
EX0099	Roads and stormwater	395,546	
EX0096	Roads and stormwater	-	
EX0095	Roads and stormwater	1,354,623	Planning Stage

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		2017 R	2016 R
7. Property, plant and equipment (continued)			
EX0087	Sports and recreational facilities	154,374	Construction Completed. All to be capitalised during in 2016
EX0080	Electricity	623,073	Project Started in the 2011/12 financial year. The project is in the process of implementation. The project manager is in the process of completing all work.
EX0070	Roads and stormwater	12,912,335	Project Completed. No as yet professional service provided.
EX0068	Electricity	1,212,762	Need to confirm with electricity provider that the project is operational of nature and not just a one-off project. The employee of Council and the employee of Council are of work is checked against the project. On going. New Connections against this project as it is a project. The project manager left the project. The project manager will be in the 2017/18 financial year. Verification of installation will be in the 2017/18 financial year. Outstanding voucher is for services rendered. Need to be confirmed with the project manager dealing with the project.
EX0061	Electricity	2,477,034	
EX0059	Electricity	1,030,169	
EX0057	Electricity	216,750	
EX0056	Electricity	108,250	
EX0050	Community Facilities	1,177,073	The project started with pre-financial year. The project was terminated and a new service was started in the current financial year to proceed with the project.
EX0042	Community Facilities	3,113,493	ECD's part of this project. O Moedi school old age home and Evaton ECD's still under projects. Recreational Facilities was delayed due to stoppage of community members request for materials instead of 30%. The materials were not on site which caused delays. The contractor was not paid. The contract for the consultant was also terminated. The project is of construction and the project is still under construction.
EX0033	Operational buildings	-	
EX0030	Roads and stormwater	2,795,300	
EX0026	Community Facilities	216,977	ECD's part of this project. O Moedi school old age home and Evaton ECD's still under projects. Recreational Facilities was delayed due to stoppage of community members request for materials instead of 30%. The materials were not on site which caused delays. The contractor was not paid. The contract for the consultant was also terminated. The project is of construction and the project is still under construction.
EX0024	Roads and stormwater	2,816,311	Scheduled to be completed in 2017/18 financial year.

Emfuleni Local Municipality

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Notes to the annual financial statements

		2017 R	2016 R
7. Property, plant and equipment (continued)			
EX017b	Roads and stormwater	11,034,490	The project started in the 2016/17 financial year. The contractor was terminated and a new service provider was appointed. Agreement was reached with the community on the scope of work. A replacement professional was appointed to correct the design on the project for the contractor. Management Services has been appointed to manage the Construction of Nguna Street on 13 February 2017 and the project was completed on 10 October 2017.
EX0017	Roads and stormwater	56,053	The project started in the 2016/17 financial year. The contractor was terminated and a new service provider was appointed. Agreement was reached with the community on the scope of work. A replacement professional was appointed to correct the design on the project for the contractor. Management Services has been appointed to manage the Construction of Nguna Street on 13 February 2017 and the project was completed on 10 October 2017.
EX0016	Roads and stormwater	1,894,061	The project started in the 2016/17 financial year. The contractor was terminated and a new service provider was appointed. Agreement was reached with the community on the scope of work. A replacement professional was appointed to correct the design on the project for the contractor. Management Services has been appointed to manage the Construction of Nguna Street on 13 February 2017 and the project was completed on 10 October 2017.
SEP001	Community Facilities	10,365,838	
EX0403	Electricity	4,076,431	Project started in the 2016/17 financial year. Work done in-house as and when suppliers paid. Current work completed in 2017/2018 financial year.
EX0400	Community Facilities	2,493,169	
EX0399	Roads and stormwater	1,330,686	In Construction. Project Handover conducted on 26 July 2017.
EX0398	Electricity	1,837,961	Moved to 2017/18 financial year. Consultant as it cannot be done that left electricity over the line. On going. New Connections being made against this project as it is in Planning Stage
EX0397	Electricity	3,410,994	
EX0396	Community Facilities	77,576	
EX0394	Electricity	167,439	Minor Capital. Project in progress
EX0392	Water	1,797,750	Planning Stage
EX0391	Water	685,074	Planning Stage
EX0390	Water	355,577	Planning Stage
EX0389	Water	1,101,670	Planning Stage
EX0388	Roads and stormwater	3,787,407	In Construction. Completion expected in 2017.

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Notes to the annual financial statements

		2017 R	2016 R
7. Property, plant and equipment (continued)			
EX0386	Electricity	39,017	Project started in the 2016/2017 almost complete. Final payment done early in the 2017/2018
EX0384	Community Facilities	15,230,106	ECD's part of this project. O Moedi school old age home and Evaton ECD's still under projects. Recreational Facility was delayed due to stoppage of community members request instead of 30%. The material on site which caused delays. The contractor was not attacked. The contract for the consultant was also terminated of construction and the project In Construction
EX0383	Community Facilities	1,362,062	
EX0382	Community Facilities	1,628,472	
EX0381	Community Facilities	517,415	In progress. Project scheduled 2018/019. First contractor terminated and contractor appointed. Various forums from Sharpville
EX0380	Sports and recreational facilities	14,098,498	
EX0379	Sports and recreational facilities	64,761	
EX0378	Community Facilities	545,779	The project started with pre-financial year. The professional terminated and a new service current financial year to proceed of the project.
EX0377	Community Facilities	831,394	
EX0376	Community Facilities	1,531,399	
EX0374	Roads and stormwater	909,884	In Construction: Completion expected
EX0373	Roads and stormwater	957,508	In Construction: Project Har conducted on 26 July 2017.
EX0372	community Facilities	3,923,187	
EX0371	Roads and stormwater	55,951	
EX0370	Roads and stormwater	38,892	
EX0368	Roads and stormwater	8,863,403	The project started in the 2016/2017 the contractor was terminated service provider. Agreement with the community on the scope replacement professional service appointed to correct the design on the project for the construction Management Services has been Construction of Nguna Street on 13 February 2017 and the October 2017.

Emfuleni Local Municipality

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Notes to the annual financial statements

		2017 R	2016 R
7. Property, plant and equipment (continued)			
EX0367	Roads and stormwater	56,860	
EX0365	Roads and stormwater	267,261	
EX0364	Roads and stormwater	1,083,154	
EX0363	Roads and stormwater	6,754,723	
EX0362	Roads and stormwater	4,852,294	The project started in the 2014/2015 financial year with the services of the professional service provider terminated in the 2014/2015 financial year with the contract is currently under completion in 2017/2018.
EX0361	Roads and stormwater	4,895,720	The project started in the 2014/2015 financial year with the services of the professional service provider terminated in the 2014/2015 financial year with the contract is currently under completion in 2017/2018.
EX0360	Community Facilities	10,747	Planning Stage
EX0359	Community Facilities	281,600	
EX0358	Community Facilities	3,689,721	
EX0357	Water	371,911	Planning Stage
EX0356	Water	458,574	Planning Stage
EX0355	Water	59,523,979	In construction. Expected to be completed in 2017/2018.
EX0354	Community Facilities	839,457	
EX0347	Electricity	1,058,945	Most work completed and to be completed in 2017/2018.
EX0337	Community Facilities	3,162,587	
M/O001	Community Facilities	9,793,717	
EX0304	Roads and stormwater	88,715	Construction Completed. All to be capitalised during in 2017/2018.
EX0247	Electricity	7,807,900	The project manager left the project and will be in the 2017/2018 financial year for verification of installation work. Project started in the 2016/2017 financial year.
EX0408	Electricity	2,829,521	
EX0410	Roads and stormwater	687,622	
EX0409	Electricity	2,629,000	
EX0411	Sanitation	10,042,664	
EX0413	Roads and stormwater	866,960	Planning Stage
EX0414	Sanitation	923,107	
EX0415	Electricity	84,132	
EX0416	Electricity	490,528	Planning Stage
		725,046,259	

Emfuleni Local Municipality

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Notes to the annual financial statements

	2017 R	2016 R
7. Property, plant and equipment (continued)		
Services sector	Maintenance description	Maintenance cost
Utilities & Special Projects		
Metsi Water	Maintenance on motors, switchgear, cable work, transformers, pump control equipment, servicing telemetry equipment, pumps, pipes, valves & PRV's, chlorine equipment, repair to distribution networks, reservoir drop tests and valves	
Metsi Sanitation	Maintenance of sewer gravity networks, repairs of sewer gravity and rising mains, repair of manholes, pumps, motor control units, telemetry, pipes, valves, cleaning of gravity mains and management of spillages.	
Metsi Waste Water Treatment Works	Maintenance on motors, switchgear, cable work, transformers, pump control equipment, servicing telemetry equipment, mechanical Screens, de-gritting equipment, centrifugal pumps, compressors, blowers, pipes, valves, classifiers, clarifiers, submersible pumps, aerators, gearboxes, digester's mixers, bio-filters, sluice gates, primary & secondary Settling tanks, emergency & humus tanks, chlorine equipment.	
Basic Services		
Electricity	Maintenance of substations, servicing of switchgear, replacement of substation batteries, testing of transformers, servicing of transformers, vegetation control, servicing of low voltage panels, replaced & upgraded distribution networks, replacement of insulators, links, arrestors, replacement with LED traffic lights, repair and replace controllers and cables at traffic- & high mast lights, replacement of lamps, -fittings, -cables and -poles, rewiring of high mast light panels & locking mechanisms, replacement of meter boxes, -circuit breakers, wiring and meters.	
Roads & Stormwater Facilities (Investment Properties)	Maintenance of paved roads via patching of potholes were internal municipal teams focused on internal roads and appointed service providers were used on high mobility roads, resealing of strategic roads, maintenance of unpaved roads via grading and re-shaping and graveling of roads, roads traffic signs, road markings, repair of stormwater pipe network, cleaning of stormwater earth open channels, hydro blasting of pipes and cleaning and maintenance of catch-pits.	

Emfuleni Local Municipality

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Notes to the annual financial statements

	2017	2016
	R	R

7. Property, plant and equipment (continued)

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

	2017 R	2016 R
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8. Investment property

	2017			2016		
	Valuation	Accumulated depreciation	Carrying value	Valuation	Accumulated depreciation	Carrying value
Investment property	1,583,593,946	-	1,583,593,946	1,400,653,493	-	1,400,653,493

Reconciliation of investment property - 2017

	Opening balance	Disposals / Derecognition	Fair value adjustments	Total
Investment property	1,400,653,493	(5,602,371)	188,542,824	1,583,593,946

Reconciliation of investment property - 2016

	Opening balance	Disposals / Derecognition	Donated assets	Fair value adjustments	Total
Investment property	1,373,322,925	(4,536,412)	42,960	31,824,020	1,400,653,493

Details of valuation

Fair value adjustments - Investment property

Investment property is measured using the fair value model.

The values as determined during the 2015/16 served as a basis and were adjusted to the latest updated valuation roll implemented during the 2016/17 financial year.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

Figures in Rand

9. Intangible assets

	2017			2016		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	32,235,343	(28,246,530)	3,988,813	30,923,752	(26,723,819)	4,199,933
Servitudes	13,849,516	-	13,849,516	13,849,516	-	13,849,516
Total	46,084,859	(28,246,530)	17,838,329	44,773,268	(26,723,819)	18,049,449

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software	4,199,933	1,311,591	(1,522,711)	3,988,813
Servitudes	13,849,516	-	-	13,849,516
	18,049,449	1,311,591	(1,522,711)	17,838,329

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software	5,691,752	226,514	12,978	(1,731,311)	4,199,933
Servitudes	13,849,516	-	-	-	13,849,516
	19,541,268	226,514	12,978	(1,731,311)	18,049,449

10. Heritage assets

	2017	2016

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

	2017			2016		
	R			R		
10. Heritage assets (continued)						
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets	90,316	-	90,316	90,316	-	90,316

Reconciliation of heritage assets 2017

	Opening balance	Total
Heritage assets	90,316	90,316

Reconciliation of heritage assets 2016

	Opening balance	Total
Heritage assets	90,316	90,316

Age and/or condition of heritage assets

Assets previously recognised as heritage assets were assessed for significance aligned with Section 3 (3) of the National Heritage Resources Act. The chief criteria for classifying an asset as heritage asset are:

- Social and cultural significance
- Historical significance
- Archaeological significance
- Architectural significance
- Aesthetic significance
- Scientific and technological significance
- Group and relationship significance
- Landmark significance

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

	2017 R	2016 R
11. Trade and other payables from exchange transactions		
Trade payables	1,583,065,184	958,013,349
Payments received in advance	196,594,347	184,669,924
Retentions	38,890,479	35,543,364
Accrued interest	456,214	594,444
Accrual for annual leave	64,364,551	60,169,818
Accrual for 13th cheque	24,530,331	23,823,509
Year-end salary creditors	245,155,537	120,631,803
Unclaimed wages	1,366,564	1,426,117
Other payables	7,165,153	3,205,517
Unrealised income	-	42,641,326
Imputed interest on creditors	(4,319,385)	(6,007,534)
	2,157,268,975	1,404,711,637

12. Consumer deposits

Electricity and water	46,953,563	44,884,636
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The amounts reflected represent a cost value. Management believes that the cost value approximates the fair value. Bank guarantees to the value of R14 865 613 form part of the amount disclosed as R46 953 563.

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Social development grant	6,911,235	-
EPWP grant	20,363	-
Bontle ke botho	582,266	771,160
Neighbourhood development grant	1,084,345	500
National electrification grant	787,745	-
Library grant	6,036,035	1,784,560
Department of water affairs grant	-	930,484
Projects funded ex Sedibeng district municipality	1,160,599	2,704,127
Sedibeng maintenance grant	293,197	385,092
Financial management grant	-	(50)
Cogta Grant (Pumpstation)	2,551,363	-
Cogta grant	893,724	1,264,933
	20,320,872	7,840,806

Refer to note 22 for detailed movements on grants

Emfuleni Local Municipality

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Notes to the annual financial statements

	2017 R	2016 R
14. Borrowings		
At amortised cost		
Borrowings	11,488,176	15,893,904
Non-current liabilities		
At amortised cost	8,768,347	11,488,176
Current liabilities		
At amortised cost	2,719,829	4,405,728
15. Finance lease		
Minimum lease payments due		
- within one year	6,849,736	-
- in second to fifth year inclusive	10,670,337	-
Present value of minimum lease payments	17,520,073	-
within one year	6,849,736	-
in second to fifth year	10,670,337	-
	17,520,073	-

The average lease term is 3years and the average effective borrowing rate or escalation was 10.5% interest rates are fixed at a contract date. All leases have variable or fixed repayments and in certain instances contingent rent is payable as per stipulation in the lease agreements.

The municipality's obligation under finance leases are secured by the leases charge over the leased assets. The municipality did not default on any of the interest or capital repayments of the leases. No terms and conditions of finance leases were re-negotiated. There is no restriction imposed on the lease agreements

Emfuleni Local Municipality

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Notes to the annual financial statements

			2017 R	2016 R
16. Provision				
Reconciliation of provision - 2017				
	Opening balance	Additions	Increase due to re- measurement or settlement without cost to entity	Total
Environmental rehabilitation	135,119,545	-	18,415,040	153,534,585
Legal proceedings	9,439,218	5,830,734	-	15,269,952
	144,558,763	5,830,734	18,415,040	168,804,537
Reconciliation of provision - 2016				
	Opening Balance	Reversed during the year	Increase/(decr ease) due to re- measurement or settlement without cost to entity	Total
Environmental rehabilitation	176,047,579	-	(40,928,034)	135,119,545
Legal proceedings	16,725,713	(7,286,495)	-	9,439,218
	192,773,292	(7,286,495)	(40,928,034)	144,558,763
Non-current liabilities			153,534,585	135,119,545
Current liabilities			15,269,952	9,439,218
			168,804,537	144,558,763

Emfuleni Local Municipality

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Notes to the annual financial statements

	2017 R	2016 R
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16. Provision (continued)

Environmental rehabilitation provision

The financial provision calculated represents the expenditure required for rehabilitation of the cell areas currently used (not the entire site), including areas that have been used but not rehabilitated. The expected rehabilitation costs have been determined and interest added up to the expected date of rehabilitation of the respective landfill cell areas by escalating the current rehabilitation costs over the remaining useful life up to the expected date of rehabilitation of the respective landfill cell areas by using an average increase of 8.22% rate based on the year-to-year increased cost per square meter, and discounting the future rehabilitation costs at the cost of capital rate.

The discount rate of 13.63% utilised to account for the finance cost is based on the weighted average cost of capital rate to the municipality. Using the methodology of the calculation of first escalating the proposed costs, then discounting the costs by the relevant dates allows for a full life cycle analysis as well as appropriate cost value which takes into consideration the time value of money.

Boitshepi

The landfill site was licensed in 2011 as a G:L:B+ landfill site and is situated in the outskirts of the Tshepiso residential area near Vanderbijlpark. The extent of the property is 34,4195Ha and the footprint of the current waste disposal area is 26,843Ha. As no progressive rehabilitation has taken place, the entire site will need to be rehabilitated as part of the final closure. The areas to be closed off as at 30th of June 2017 is 24.37Ha. The cost estimated (Rehabilitation provision) to close the entire site, based on value determined at 30th of June 2017 is R88 525 886 excluding VAT.

Waldrift

The landfill site was licensed in 2011 as a G:L:B- site and is situated in the mining farm areas near Vereeniging. The extent of the property is 31.8842Ha. The proposed waste disposal area is 18.7946Ha and the surface area to be rehabilitated as at 30th of June 2017 is 15.00Ha. Disposal is licensed to be filled to 32m above NGL at closure.

The estimated cost (rehabilitation provision) for the entire site, as at 30th June 2017 is R51 674 687 excluding VAT.

Palm Springs

The landfill site was licensed in 2007 as a G:M:B- landfill site and is situated near Orange Farm. The disposal cells of the site have recently been upgraded to include to formal disposal phases, both of which are still operational. The site will grow to include 6 disposal phases over the life of the site.

The extent of the property is 66,6384Ha and the waste disposal area is 25,0597Ha. t

The cost estimated (rehabilitation provision) to close the entire site, based on a value determined at 30 June 2017 is R13 334 013 excluding VAT.

On this base the provisions at 30 June 2017 can be summarised as follows:

- i) Waldrift landfill site : R 51 674 687
- ii) Boitshepi landfill site : R 88 525 887
- iii) Palm springs landfill site: R 13 334 012

The decrease in the rehabilitation of the landfill sites is due to the following:

The Palm springs landfill site is now classified as a G:M:B- which states that no progressive rehabilitation may be stipulated or required but the license holder is responsible for any environmental damage caused by the site in the long term.

Total provision for rehabilitation as at 30 June 2017 for all three sites at the respective closure dates is estimated at R153 534 585

Emfuleni Local Municipality

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Notes to the annual financial statements

	2017 R	2016 R
17. Service charges		
Sewerage and sanitation charges	345,528,058	301,765,114
Sale of electricity	1,859,840,769	1,854,284,956
Sale of water	1,246,950,669	1,059,101,399
Refuse removal	213,027,206	188,026,727
	<u>3,665,346,702</u>	<u>3,403,178,196</u>
18. Rental of facilities and equipment		
Premises		
Rental of facilities	<u>12,148,588</u>	<u>12,000,908</u>
Facilities and equipment		
Rental of equipment	<u>3,697</u>	<u>4,521</u>
	<u>12,152,285</u>	<u>12,005,429</u>
<p>The municipality has two loans with DBSA, loan #13554/101 with an interest rate of 15.74% and loan #13959/101 with an interest rate of 10.45%. Both loans are payable on a half yearly basis.</p>		
19. Finance income		
Dividend revenue		
Dividends	<u>-</u>	<u>3,025</u>
Interest revenue		
Interest on arrears	47,134,373	37,794,845
Bank	6,015,053	6,871,378
	<u>53,149,426</u>	<u>44,666,223</u>
	<u>53,149,426</u>	<u>44,669,248</u>

Emfuleni Local Municipality

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	2017 R	2016 R
20. Other income		
Industrial effluent	30,018,431	52,825,322
Access to information	179,114	227,881
Capital contribution	4,008,806	5,128,689
Dishonoured cheques	45,427	53,160
Refunds (SETA)	1,645,266	1,610,886
Sundries/unallocated income	11,994,759	9,090,098
Surplus cash	2,145	5,885
Warning services	1,056,527	1,609,279
Advertising	625,684	666,468
Informal trading revenue	112,680	139,380
Alienation of stand	157,723	54,386
Deed searches	938	24,817
Reconnection fees	5,587,736	3,866,516
Planning fees	98,057	117,048
Sale of tender documents	1,561,350	835,250
Zoning certificates	469,563	390,111
Activity room/auditorium	52,236	24,485
Building plans	1,895,148	1,825,298
Cemeteries	10,030,185	11,058,197
Entrance fees	1,154,126	1,098,527
General service fees	6,507,219	6,421,593
Fire rescue services	177,609	214,148
Flammable liquid	188,722	143,033
Refuse dumping landfill site	16,257,794	10,641,652
Lost and damaged library material	939	688
Sale of right to collect	42,641,326	29,239,766
	136,469,510	137,312,563

21. Property rates

Rates

Rates levied	660,532,525	598,394,248
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The valuations are utilised to levy property rates on a monthly basis.

Rebates on property rates levied can be defined as any income that the municipality is entitled by law to levy, but which has subsequently been foregone by way of rebate or remission.

Valuations

Residential	58,788,074,355	58,540,794,471
Business	9,013,047,750	8,807,204,750
Industrial	4,931,311,000	4,884,855,000
State owned properties	1,865,043,000	1,865,916,000
Municipal	964,140,000	964,935,000
Agricultural	1,193,190,002	1,191,000,000
Other	1,155,347,056	1,136,759,051
	77,910,153,163	77,391,464,272

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

	2017 R	2016 R
22. Government grants and subsidies		
Operating grants		
Equitable share	608,581,000	600,888,307
Financial management grant	1,474,950	1,450,050
Cogta grant	3,755,209	7,260,067
Municipal systems improvement grant	-	930,000
Social development grant	16,661,996	41,676,824
Expanded public works programme grant	2,507,637	3,583,200
Cogta Grant (Pumpstation)	11,448,637	-
Bontle ke botho	188,893	1,431,395
Project Funded ex Sedibeng District	1,543,529	-
Health and environmental subsidies	43,215,740	47,736,336
Neighbourhood development grant	8,051,155	-
Debtors book restructuring grant	-	219,952
Sedibeng maintenance grant	91,896	433,360
Department of water affairs	930,484	-
Regional sewer scheme	-	1,134,668
Sport and recreation	-	560,132
Infrastructure asset management grant	-	1,000,000
Gauteng department of economic development(LED)	-	1,500,000
	<u>698,451,126</u>	<u>708,304,291</u>
Capital grants		
Municipal infrastructure grant	160,763,000	163,009,000
National electrification programme	2,097,255	-
Library grant	8,048,526	8,482,559
Sedibeng regional sewer scheme	-	3,607,639
Municipal systems improvement grant(Sedibeng)	-	50,000
	<u>170,908,781</u>	<u>175,149,198</u>
	<u>869,359,907</u>	<u>884,953,489</u>

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic and administrative services to indigent community members and to subsidise income.

Financial management grant

Balance unspent at beginning of year	(50)	-
Current-year receipts	1,475,000	1,450,000
Conditions met - transferred to revenue	<u>(1,474,950)</u>	<u>(1,450,050)</u>
	<u>-</u>	<u>(50)</u>

Conditions still to be met - remain liabilities (see note 13).

This grant is used to promote and support reforms in financial management by building capacity in municipalities to implement the MFMA.

Municipal systems improvement grant

Current-year receipts	-	930,000
Conditions met - transferred to revenue	-	<u>(930,000)</u>
	<u>-</u>	<u>-</u>

Emfuleni Local Municipality

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	2017 R	2016 R
22. Government grants and subsidies (continued)		
To assist municipalities to build in-house capacity to perform their functions and stabilise institutional governance systems as required in the Municipal Systems Act (MSA), and other related legislation policies and the local government turnaround strategy - the focus being MPRA, effective implementation of ward committees and improvement to fixed asset registers.		
Social development grant		
Balance unspent at beginning of year	-	11,276,824
Current-year receipts	23,573,231	30,400,000
Conditions met - transferred to revenue	(16,661,996)	(41,676,824)
	<u>6,911,235</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 13).		
The purpose of the grant is for the construction of 20 Priority township project (Early Childhood Development Centres).		
Expanded public works programme		
Balance unspent at beginning of year	-	30,200
Current-year receipts	2,528,000	3,553,000
Conditions met - transferred to revenue	(2,507,637)	(3,583,200)
	<u>20,363</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 13).		
To provide expanded public works programme (EPWP) incentive funding to expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximised.		
Bontle ke botho		
Balance unspent at beginning of year	771,160	2,202,554
Conditions met - transferred to revenue	(188,894)	(1,431,394)
	<u>582,266</u>	<u>771,160</u>
Conditions still to be met - remain liabilities (see note 13).		
The MEC agriculture conservation and environment, initiated a clean and green programme based on the Johannesburg plan of implementation, whereby the municipalities, wards and schools are encouraged to keep the nearest places clean. This is done through a campaign named Bontle ke botho which rewards the best municipality.		
Health and environment subsidies		
Current-year receipts	43,215,740	47,736,336
Conditions met - transferred to revenue	(43,215,740)	(47,736,336)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 13).		
Neighbourhood development grant		
Balance unspent at beginning of year	500	4,431,807
Current-year receipts	9,135,000	-
Conditions met - transferred to revenue	(8,051,155)	-
Withheld by Treasury during the year	-	(4,431,307)
	<u>1,084,345</u>	<u>500</u>

Emfuleni Local Municipality

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	2017 R	2016 R
22. Government grants and subsidies (continued)		
Conditions still to be met - remain liabilities (see note 13).		
The purpose of the grant is to support and facilitate the development of urban network plans that consist of primary and secondary networks that interconnect at strategic nodes, which in townships are referred to as urban hubs. The amount of R4 431 307 was offset against the equitable share in November 2015..		
Infrastructure asset management grant		
Current-year receipts	-	1,000,000
Conditions met - transferred to revenue	-	(1,000,000)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 13).		
The purpose of the grant is to support identified municipalities to update and maintain the infrastructure (Service delivery, asset registers in compliance with GRAP 17).		
Municipal Infrastructure grant		
Current-year receipts	160,763,000	163,009,000
Conditions met - transferred to revenue	(160,763,000)	(163,009,000)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 13).		
This grant was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld by the grantor		
National electrification programme		
Current-year receipts	2,885,000	-
Conditions met - transferred to revenue	(2,097,255)	-
	<u>787,745</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 13).		
To implement the integrated national electrification programme (INEP) by providing capital subsidies to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electrification infrastructure in order to improve quality of supply.		
Library grant		
Balance unspent at beginning of year	1,784,560	1,042,120
Current-year receipts	12,300,000	9,225,000
Conditions met - transferred to revenue	(8,048,525)	(8,482,560)
	<u>6,036,035</u>	<u>1,784,560</u>
Conditions still to be met - remain liabilities (see note 13).		
The purpose of the grant is to financially support municipal library services in the administration of libraries, in order to render efficient, effective and economic library and information services to communities.		
Sedibeng regional sewer scheme		
Current-year receipts	-	3,607,639

Emfuleni Local Municipality

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Notes to the annual financial statements

	2017 R	2016 R
22. Government grants and subsidies (continued)		
Conditions met - transferred to revenue	-	(3,607,639)
	-	-

Conditions still to be met - remain liabilities (see note 13).

This grant supplements the financing of the social component of regional bulk water and sanitation. It targets projects that cut across the boundaries of several municipalities. The grant supplements regional bulk collection and wastewater treatment works. It may also be used to appoint service providers to carry out feasibility studies, related planning or management studies for infrastructure projects.

Department of water affairs and forestry

Balance unspent at beginning of year	930,484	930,484
Conditions met - transferred to revenue	(930,484)	-
	-	930,484

Conditions still to be met - remain liabilities (see note 13).

This grant is used for water demands management.

Electricity demand site management grant

Current-year receipts	-	1,517,299
Withheld by Treasury	-	(1,517,299)
	-	-

Conditions still to be met - remain liabilities (see note 13).

To provide subsidies to municipalities to implement electricity demand site management (EDSM) in municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

Regional sewer scheme

Balance unspent at beginning of year	-	1,134,668
Conditions met - transferred to revenue	-	(1,134,668)
	-	-

Conditions still to be met - remain liabilities (see note 13).

This grant supplements the financing of the social component of regional bulk water and sanitation. It targets projects that cut across the boundaries of other municipalities. The grant supplements regional bulk collection and waste water treatment works. It may also be used to appoint service providers to carry out feasibility studies, related planning or management studies for infrastructure projects.

Projects funded ex Sedibeng district municipality

Balance unspent at beginning of year	2,704,127	2,704,127
Conditions met - transferred to revenue	(1,543,528)	-
	1,160,599	2,704,127

Conditions still to be met - remain liabilities (see note 13).

Funds are used for upgrading of cemeteries. No funds have been withheld by the grantor.

Municipal systems improvement grant (Sedibeng)

Emfuleni Local Municipality

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Notes to the annual financial statements

	2017 R	2016 R
22. Government grants and subsidies (continued)		
Balance unspent at beginning of year	-	50,000
Conditions met - transferred to revenue	-	(50,000)
	-	-
Conditions still to be met - remain liabilities (see note 13).		
Funds meant to fund an LED project. No funds have been withheld by the grantor.		
Debtors book restructuring grant		
Balance unspent at beginning of year	-	219,953
Conditions met - transferred to revenue	-	(219,953)
	-	-
Conditions still to be met - remain liabilities (see note 13).		
To provide financial assistance to the municipality for the implementation of the Gauteng revenue enhancement and debtor management project (municipal debtors book project) and structuring of the debtors book and preparatory work.		
Sports and recreation grant		
Balance unspent at beginning of year	-	560,132
Conditions met - transferred to revenue	-	(560,132)
	-	-
Conditions still to be met - remain liabilities (see note 13).		
Sedibeng maintenance grant		
Balance unspent at beginning of year	385,092	818,452
Conditions met - transferred to revenue	(91,895)	(433,360)
	293,197	385,092
Conditions still to be met - remain liabilities (see note 13).		
The purpose of this grant is the maintenance of farming equipment and implements donated by GDARD to Sedibeng Municipality as part of GDARD's mechanisation programme.		
LED grant		
Current-year receipts	-	1,500,000
Conditions met - transferred to revenue	-	(1,500,000)
	-	-
Conditions still to be met - remain liabilities (see note 13).		
The purpose is to lead, facilitate and manage sustainable job creation and inclusive economic growth and development un the Gauteng city region.		
COGTA Grant(Pumpstation)		
Current-year receipts	14,000,000	-
Conditions met - transferred to revenue	(11,448,637)	-

Emfuleni Local Municipality

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Notes to the annual financial statements

	2017 R	2016 R
22. Government grants and subsidies (continued)		
	2,551,363	-
Conditions still to be met - remain liabilities (see note 13).		
Provide explanations of conditions still to be met and other relevant information.		
Cogta grant		
Balance unspent at beginning of year	1,264,933	-
Current-year receipts	3,384,000	8,525,000
Conditions met - transferred to revenue	(3,755,209)	(7,260,067)
	893,724	1,264,933

Conditions still to be met - remain liabilities (see note 13).

The purpose of the grant is to assist Emfuleni to finance the 90 days service delivery plan.

23. Fines

Traffic fines	165,115,436	128,265,431
Other fines	10,719	12,725
	165,126,155	128,278,156

In terms of IGRAP 1 the impact on the initial measurement of fines was assessed and appropriate adjustments based on assumptions were made from reliable information. The monetary value of fines as disclosed for 2016/17 was calculated from the value of fines issued less the fines withdrawn and, as granting of reductions are within the discretion of the entity issuing fines, these were deducted from the fines issued.

The debtor as disclosed in note 4 was calculated using the above assumption and the existing debtor as 30 June 2017.

Subsequent measurement was done by utilising reliable information from the previous 7 years. The average percentage payment of fines versus fines issued of the previous 7 years, deducting the average percentage of fines paid versus fines issued for the period under review, were utilised to calculate the estimated recoverable fines for the period. The recoverable amount was deducted from the calculated outstanding as at 30 June 2017 resulting in the calculated impairment of fines (R229 763 209)

Emfuleni Local Municipality

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Notes to the annual financial statements

	2017 R	2016 R
24. Employee related costs		
Basic salaries	579,152,747	527,365,180
13th cheque	42,961,064	41,577,943
Medical aid - company contributions	50,895,936	44,550,237
Unemployment insurance fund (UIF)	4,433,850	4,161,689
Redemption of leave	9,600,825	8,083,825
Leave pay and 13th cheque contribution	4,194,733	6,360,203
Long service awards and medical aid	25,707,678	3,063,128
Salary disparities	123,033,364	13,725,387
Pension fund contribution	107,133,024	101,323,854
Overtime payments	76,800,922	61,441,458
Acting allowances	17,565,787	15,209,566
Car allowance	38,029,523	37,281,285
Housing benefits and allowances	7,070,950	3,800,161
Other allowance	19,213,646	41,279,604
Group insurance	34,869,099	32,976,663
Skills development and casualty contributions	15,845,205	13,215,062
	1,156,508,353	955,415,245

Municipal Manager

Annual Remuneration	414,608	1,799,854
Car Allowance	30,000	356,447
	444,608	2,156,301

The position of the Municipal Manager was permanently filled on the 1st of January 2017, however the incumbent resigned on the 31st of March 2017. The position is vacant and the Chief Operations officer is currently appointed to act in the position.

Chief Financial Officer

Annual remuneration	-	579,715
Travel, motor car, accommodation, subsistence and other allowances	-	54,214
Annual leave	-	199,973
	-	833,902

The position of CFO was vacant from December 2015 and an incumbent was seconded from Sedibeng District Municipality to the position from 1 February 2016.

Corporate Services (DMM)

Annual remuneration	1,410,089	1,427,625
Travel, motor car, accommodation, subsistence and other allowances	258,000	258,000
	1,668,089	1,685,625

Basic Services (DMM)

Annual remuneration	-	-
Travel, motor car, accommodation, subsistence and other allowances	-	-
	-	-

The position of DMM: Basic Services is vacant, and an incumbent was appointed to act in the position.

Chief Audit Executive

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

	2017 R	2016 R
24. Employee related costs (continued)		
Annual remuneration	1,573,392	1,495,418
Travel, motor car, accommodation, subsistence and other allowances	196,200	196,200
	1,769,592	1,691,618

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Notes to the annual financial statements

	2017 R	2016 R
24. Employee related costs (continued)		
Economic Development and Planning (DMM)		
Annual remuneration	1,751,592	1,652,445
Travel, motor car, accommodation, subsistence and other allowances	18,000	18,000
	1,769,592	1,670,445
Public Safety & Community Development (DMM)		
Annual remuneration	1,510,501	1,503,874
Travel, motor car, accommodation, subsistence and other allowances	138,000	138,000
	1,648,501	1,641,874
Infrastructure Planning and Development (DMM)		
Annual remuneration	-	-
Travel, motor car, accommodation, subsistence and other allowances	-	-
	-	-
The position of DMM: Infrastructure Planning and Development is vacant, and an incumbent was appointed to act in the position.		
Chief Operating Officer		
Annual remuneration	1,863,507	1,918,635
Travel, motor car, accommodation, subsistence and other allowances	138,000	138,000
	2,001,507	2,056,635
Chief Risk Officer		
Annual remuneration	1,036,068	1,002,116
Travel, motor car, accommodation, subsistence and other allowances	138,000	138,000
	1,174,068	1,140,116
Chief Information Officer		
Annual remuneration	999,256	1,095,543
Travel, motor car, accommodation, subsistence and other allowances	214,500	234,000
	1,213,756	1,329,543

Head of Revenue

The position for Head of Revenue is vacant and an incumbent was appointed to act in the position.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

	2017 R	2016 R
24. Employee related costs (continued)		
Head Strategic Manager: Support		
Annual remuneration	1,080,648	1,012,687
Travel, motor car, accommodation, subsistence and other allowances	138,000	138,000
	1,218,648	1,150,687
Chief Director: Metsi a Lekoa		
Annual remuneration	-	-
Travel, motor car, accommodation, subsistence and other allowances	-	-
	-	-
The position for Chief Director: Metsi a Lekoa is vacant and an incumbent was appointed to act in the position.		
25. Remuneration of councillors		
Mayoral Committee members	7,269,060	7,441,013
Councillors	42,072,660	39,571,889
	49,341,720	47,012,902
Mayor		
Annual remuneration	721,704	795,680
Travel, motor, accommodation, subsistence and other allowances	350,758	352,422
	1,072,462	1,148,102
Speaker		
Annual remuneration	600,561	627,557
Travel, motor, accommodation, subsistence and other allowances	292,189	287,894
	892,750	915,451
In-kind benefits		
The Office of the Executive Mayor, Speaker and Mayoral committee members are full time positions. Each is provided with an office and secretariat support at the cost of the municipality.		
The Mayor and Speaker make use of municipal owned vehicles for official duties.		
26. Finance costs		
Interest: external borrowings and creditors	42,367,470	26,883,708
Interest landfill site rehabilitation	18,415,041	19,244,256
Interest post employee benefits: health care	11,825,000	11,481,000
Interest long service awards	7,805,000	6,483,000
	80,412,511	64,091,964
27. Bulk purchases		
Electricity	1,502,595,542	1,502,075,222
Water	713,410,578	650,297,403
	2,216,006,120	2,152,372,625

Emfuleni Local Municipality

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Notes to the annual financial statements

	2017 R	2016 R
28. General expenses		
Advertising	6,432,426	3,634,331
Audit fees	6,133,958	5,803,607
Bank charges	3,143,253	2,753,937
Commission paid	12,276,499	15,117,068
Consulting and professional fees	51,032,291	19,195,121
Consumables	3,429,752	5,589,666
Insurance	65,657,430	50,083,821
Conferences and seminars	4,309,774	2,481,256
Magazines, books and periodicals	461,396	425,028
Medical expenses	290,495	22,912
Rezoning costs	26,316	-
Relocation cost	-	20,851
Postage and courier	6,539,877	4,775,655
Printing and stationery	8,971,772	6,256,512
Bursary fund	1,489,306	1,836,798
Royalties and license fees	2,573,431	2,780,329
Security (guarding of municipal property)	82,735,995	55,343,350
Software licensing	2,123,826	1,622,256
Subscriptions and membership fees	114,113	20,713,279
Telephone and fax	15,987,388	12,876,491
Training	7,426,254	4,306,305
Uniforms	5,289,014	6,102,385
Special programmes	15,391,127	39,113,331
Indigent support	371,562,451	405,426,439
Valuation roll expense	7,352,962	53,771
Public expenditure	1,270,606	2,018,899
Lease rentals	72,584,848	64,411,047
Disaster relief	25,965	-
Other expenses	277,079,581	237,415,410
	1,031,712,106	970,179,855

"Other expenses" consist of various minor expenses.

Emfuleni Local Municipality

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Notes to the annual financial statements

	2017 R	2016 R
29. Cash generated from operations		
Deficit for the year	(751,847,229)	(285,052,726)
Adjustments for:		
Depreciation and amortisation	479,227,086	444,652,379
Gain on sale of assets	-	(1,869,772)
Fair value adjustments	(190,259,512)	(32,685,328)
Debt impairment	1,136,645,921	726,687,941
Employee benefit obligation	924,000	2,931,000
Contribution to provisions	24,245,774	8,921,192
Donations	(11,605,021)	(14,751,049)
Loss on sale of asset	4,197,325	-
Non-cash movement in assets	-	(7,231,048)
Changes in working capital:		
Inventories	(71,007)	454,758
Trade and other receivables from exchange transactions	(930,021,883)	(623,490,710)
Other receivables from non-exchange transactions	(333,370,054)	(188,099,455)
Trade and other payables from exchange transactions	752,557,338	248,906,776
VAT	(67,045,681)	(16,669,872)
Unspent conditional grants and receipts	12,480,066	(22,685,452)
Decrease/Increase in current borrowings	(1,685,899)	334,422
Finance lease	-	(538,770)
Prior year correction	-	(52,565,699)
	124,371,224	187,248,587

Emfuleni Local Municipality

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Notes to the annual financial statements

	2017 R	2016 R
30. Correction of error		
During the 2016/17 financial year the following adjustments were made to transactions whereby amounts were erroneously stated in the previous financial periods. The comparative amounts have been restated as follows:		
Balance previously reported 2014/15		10,485,784,848
Adjustments for 2014/15		(12,202,375)
Restated balance for 2014/15		10,473,582,473
Surplus/(deficit) for the financial year ended 2015/16		(352,765,015)
Adjustments: 2015/16		66,551,744
Withdrawal		1,358,373
		10,188,727,575
2014/2015		
Statement of performance		
Revenue from non-exchange transactions		
Interest received		(885,762)
Donations		(43,351,952)
Sundry revenue		(60,682)
Expenditure		
Contracted services		99,395
Employee related costs		77,474,943
Finance costs		(56,273,106)
Bulk purchases		(8,135,884)
Repairs and maintenance		7,038,281
(Loss)/gain on sale of assets		(4,763,309)
Depreciation		46,798,957
General expenses		(5,738,506)
Restatement for 2014/2015		12,202,375
2015/2016		
Statement of performance		
Revenue from exchange transactions		
Interest received		(623,211)
Revenue from non-exchange transactions		-
Donations		(41,176,037)
Sundry revenue		(1,038,543)
Surplus cash		(4,881)
Expenditure		
Contracted services		405,041
Depreciation and amortisation		(30,722,201)
Employee related costs		36,188,496
Bulk purchases		(17,077,684)
Finance cost		(2,130,574)
Repairs and maintenance		4,562,993
General expenditure		(14,935,145)
		(66,551,746)
2014/15		
Statement of financial position		
Current assets		
Cash and cash equivalents		125,254
Trade and other receivables from non-exchanged transaction		10,097,634
Inventory		30,000,000
Value added tax(VAT)		(978,987)
Non-Current assets		

Emfuleni Local Municipality

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Notes to the annual financial statements

	2017 R	2016 R
Property, plant and equipment		176,983,720
Investment property		(1,306,470)
Work in progress(WIP)		(213,160,435)
Current liabilities		
Trade and other payables		(14,969,437)
Year end salaries		(66,987,764)
Provision for legal fees		10,858,390
Non-Current liabilities		
Provisions		57,135,721
		(12,202,374)

Statement of financial position 2015/2016

Current assets	
Cash and cash equivalents	676,132
Cash on hand	4,881
Trade and other receivables from non-exchange transactions	19,696,441
Value added tax receivables	(2,262,747)
Non-Current assets	
Property, plant and equipment	89,788,202
Investment property	(99,145)
Work in progress(WIP)	(26,870,080)
Intangible assets	47,291
Current liabilities	
Trade and other payables	(6,078,157)
Year end salaries	(21,314,156)
Borrowings	(137,423)
Provision legal fees	2,695,465
Non-Current liabilities	
Provisions	10,267,618
Borrowings	137,423
	66,551,745

Statement of financial position	Balance 2015/2016	Adjustments 2014/2015	Adjustments 2016/2016	Restated balance 2015/2016
Cash and cash equivalent	125,122,613	125,254	681,013	125,928,880
Trade and other receivables from non-exchange transactions	213,648,777	10,097,634	19,696,441	243,442,852
Inventory	28,791,545	30,000,000	-	58,791,545
Value Added Tax receivable	109,930,720	(978,987)	(2,262,747)	106,688,986
Property, plant and equipment	9,866,227,839	(36,176,715)	62,918,122	9,892,969,246
Investment property	1,402,059,108	(1,306,470)	(99,145)	1,400,653,493
Intangible assets	17,961,105	-	47,291	18,008,396
Trade and other payables	1,295,362,121	(81,957,201)	(27,392,314)	1,186,012,606
Provision legal fees	22,993,073	10,858,390	2,695,466	36,546,929
Borrowings (Current)	4,268,305	-	(137,423)	4,130,882
Borrowings (Non Current)	11,625,599	-	137,423	11,763,022
Provisions	202,522,883	57,135,721	10,267,618	269,926,222
	13,300,513,688	(12,202,374)	66,551,745	3,354,863,059

Cash & Cash Equivalents

Various cheques that were not cashed were cancelled.

Finance lease liability

During the 2014/15 it was discovered that the vehicles for fire and emergency for the contract entered into in 2012/2013 were not capitalised this was corrected in this current financial year.

Emfuleni Local Municipality

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	2017 R	2016 R
Inventory		
This is to correct the calculation for the water stock on hand in the previous financial year which did not take into account the water research levy.		
Investment property		
Investment property that was previously held for sale prior years was brought back on to the asset register during this current year		
Provisions		
Rehabilitation of landfill sites		
The environmental rehabilitation provision was restated due to the change in the method of the calculation of the provision to conform to the requirements of GRAP 19. The requirements require that present obligation be calculated by determining the future cost of rehabilitation discounted to the present value using the cost of capital rate of the municipality. In the past an construction cost increase rate of 6% was utilised but this was adjusted to 8,22% in the 2016-2017 financial period based on the increase in the average base cost rehabilitation rate per square meter as determined by an environmental specialist professional engineer. The annual interest rate was also adjusted from the prime lending rate of 10,5% to 13,63% based on the current weighted average interest rate currently applicable to the municipality on its long-term borrowings.		
The useful lives of the sites was also amended where the estimation is based on the annual consumption rate of the available airspace.		
The previous provisions raised on the Vaaloewer site was also reversed, as it is not foreseen that the municipality will need to obtain a license to classify this site as a landfill site. The site has been transformed into a transfer site and all waste on this site are transported to the three landfill sites currently in operation.		
Value added tax		
Correction of VAT where various cheques were cancelled..		
VAT that were not included in the accruals now corrected.		
Property plant and equipment		
Projects that were under W.I.P are now capitalised		
Certain infrastructure assets that were capitalised in previous years were de-recognised		
Trade and other payables		
Creditors that were not accrued,now accrued		
Accrual for standby allowances awarded by judgement		
Trade and other receivables from non exchange transactions		
Various Developer created assets accounted for		
Various receipts allocated to sundry revenue instead of sundry debtors		
Statement of Financial Performance		
Interest received		
Credit received from supplier. Accounted for in 2016/2017		
Sundry revenue		

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

	2017 R	2016 R
Correction of incorrect accounting for waste removal		
Donations		
Developer created assets accounted for		
Employee related costs		
Salaries awarded back dated (arbitration awards)		
Contracted services		
Various payments to Service Providers accrued		
Loss/Gain on sale of asset		
Certain infrastructure assets that were capitalised in previous years were de-recognised		
Depreciation and amortisation and impairment		
Various projects under W.I.P that should have been capitalised. Additional depreciation for the period.		
Included in the opening balance for the assets under construction was an amount of R 53 631 676 for the construction of a recreational facility which was only partially completed and where construction was halted. In order to assess the asset components a physical verification was undertaken on the site. The identified asset components was fair valued (deemed cost) at R21 575 728 and an impairment loss was recognised as a prior year adjustment amounting to R32 055 948 on the assets under construction.		
Finance costs		
Time value of money - provision for rehabilitation landfill sites		
Various judgements against Emfuleni and the payables included interest		
General expenses		
Various payments that were not cashed were cancelled. Various creditors that were not accrued for, now accrued		
Collection cost		
Reversal of accrual.		
Repair and maintenance		
Maintenance done to electrical networks and sport and recreation facilities		
Bulk purchases		
Credit received from supplier. Accounted for in 2016/2017		

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

	2017 R	2016 R
31. Unauthorised, irregular, fruitless and wasteful expenditure		
Unauthorised expenditure		
Opening balance	614,549,534	874,864,383
Unauthorised expenditure	641,891,648	204,548,484
Less: approved/condoned by Council in respect of the previous financial year	-	(453,134,777)
Less: approved/condoned by Council in respect of the current financial year	-	(11,728,556)
	1,256,441,182	614,549,534
Details of unauthorised expenditure		
Political office	-	85,648
Municipal manager's office	-	11,337,773
Financial services	304,689,557	66,629,972
Corporate services	217,077,414	-
Basic services	68,535,982	124,596,657
Agriculture, economic development planning and human settlement	724,088	28,543
Public safety and community development	50,864,607	1,869,892
	641,891,648	204,548,485
Irregular		
Opening balance	148,503,808	-
Irregular-current	-	127,658,495
Irregular - prior year	-	20,845,313
Less: approved/condoned by Council	-	-
	148,503,808	148,503,808
Fruitless & wasteful expenditure		
Opening balance	19,796,026	5,748,821
Fruitless and wasteful expenditure	35,788,671	14,047,205
Fruitless and wasteful expenditure - prior	1,639,744	-
	57,224,441	19,796,026

During the current financial year interest amounting to R35 788 671 was incurred due to late payment of accounts and R1 639 744 was incurred in the current period but relating to the previous financial year..

32. Additional disclosure in terms of Municipal Finance Management Act

PAYE and UIF

Opening balance	12,501,442	11,079,345
Current year subscription / fee	191,375,146	149,627,142
Amount paid - current period	(176,587,898)	(137,125,700)
Amount paid - previous years	(12,501,442)	(11,079,345)
	14,787,248	12,501,442

Emfuleni Local Municipality

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Notes to the annual financial statements

	2017 R	2016 R
32. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Councillors' arrear consumer accounts		
The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2017:		
30 June 2017		Total R
Mahommed YJ		133,296
Ndlovu MP		88,748
Nthebe MM		63,602
Nxongo NPG		58,117
Molefe HT		49,263
Motsei LA		39,890
Mosholuba MM & MJ		38,054
Mzongwane SL & LM		37,928
Shabalala HH		37,817
Msolo NJ		34,994
Mkhwanazi OA		31,407
Maseko BP		20,882
Mashabela MS		18,920
Mooi NJ		16,255
Tihokwe TG		8,750
Monyembane TT		7,907
Von Bodenstein EK		7,314
Matsie-Skosana ML		3,809
Baloyi HH		2,577
Mollo DS		1,128
		700,658
30 June 2016		Total R
Mahommed YJ		121,052
Nthebe MM		63,602
Pooe NS		44,688
Mashabela MS		37,258
Mzongwane SL & LM		32,873
Maseko BP		19,958
Mooi NJ		16,255
Von Bodenstein EK		7,903
Malindi JK		4,540
Mofokeng MJ		2,050
		350,179

Emfuleni Local Municipality

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Notes to the annual financial statements

	2017 R	2016 R
33. Electricity and water distribution losses		
Distribution losses relate to unaccounted for electricity and water losses. These losses arise mainly from illegal connections from both electricity and water networks, physical losses due to network operations and economical losses due to faulty meters. The total distribution losses are as follows:		
Electricity		
Kilowatts	319 449 836	396 624 431
Amount	262 364 150	304 409 250
Percentage	17.99%	20.11%
Water		
Kiloliters	28 940 511	33 390 840
Amount	220 549 675	227 503 649
Percentage	30.69%	34%

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

34. Contingencies

Contingent assets

A contingent asset is a possible asset that arises from past events, whose existence will be confirmed only by occurrence or non-occurrence of one or more uncertain future events beyond the control of the municipality.

Contingent liability (civil matters)

Claim number	Description	Amount
1	Megazone - claim for damages	154,000,000
2	Vaal show society	80,000,000
3	Old apostolic church	5,500,650
4	Pele Selepe	5,000,000
5	Inroads consulting - contractual claim	3,070,895
6	L Mnyandeni - dilectual claim	2,000,000
7	Fleet Africa	1,823,576
8	Maluleke Seriti - legal fees	1,787,495
9	Spies and Nkamane	1,762,924
10	M Phale - defamation claim	1,000,000
11	B du Preez - dilectual claim	807,433
12	Devinity - contractual claim	724,794
13	Radius industrial - compensation	670,750
14	Sesi transport	596,480
15	NG Kubheka - dilectual claim	500,000
16	PJ Scheepers - dilectual claim	400,000
17	Inhlavuka consulting - contractual claim	350,000
18	Du Preez	350,000
19	Jooste	300,000
20	LS Hanyane - dilectual claim	300,000
21	Management design	275,410
22	PH Hamman	137,014
23	J. Wilczynski - dilectual claim	120,000
24	D Pather - dilectual claim	100,000
25	NJ Bholo	100,000
26	PJ Pienaar	100,000
27	BF Petersen - Dilectual claim	60,000
28	MJ Motaung	50,000
29	MZ Lesenyeho	50,000
30	EP Smith	36,934
31	FR Kruger	33,016
32	EZ Mehlala	28,849
33	MJ Makume	26,991
34	M. Moeti	26,991
35	J Cilliers	23,159
36	WH Lambrecht	16,796
37	V Du Preez	14,112
38	SJ Botha	11,906
39	HM Bezuidenhout	9,311
40	PJ Kloppers	9,024
		262,174,510

Contingent liabilities (insurance)

During the 2016/17 financial year, the Municipality encountered insurance claims amounting to R5 477 725

Contingent liability (labour)

There are a number of labour related cases that are still under conciliation, arbitration and review at labour court. Quantum and the outcomes are not yet known.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

35. Related parties

Section 56 managers
Councillors

Section 56 managers

Section 56 managers (management) received compensation as set out in note 24.

No remuneration was paid to families of Section 56 managers

Members of council

Members of council received compensation as set out in note 25.

No remuneration was paid to family members of council.

All councillors and employees have disclosed their financial interests.

36. Events after the reporting date

37. Standards and interpretations issued, but only effective for financial years beginning on or after 1 April 2016

The following standards were revised and improvements were made to them, but the revisions are only effective for financial years beginning on 1 April or thereafter

GRAP 1	Presentation of financial statements
GRAP 16	Investment Property
GRAP 17	Property, plant and equipment
GRAP 103	Heritage Assets
GRAP 31	Intangible Assets

The municipality expects to adopt the amendments for the first time in 2017 financial statements. The adoption of these amendments is not expected to impact on the results of the municipality but may result in more disclosures than is currently provided.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

	2017 R	2016 R
38. Employee benefit obligations		
Post retirement benefit plan		
Post-employment health care benefits		
Opening accrued liability	123,626,000	129,840,000
Current-service cost	828,000	896,000
Interest cost	11,825,000	11,481,000
Contributions (benefit paid)	(10,248,119)	(9,697,000)
Total annual expense	-	-
Actuarial loss/(gain)	(373,881)	(8,894,000)
	125,657,000	123,626,000

The projected unit credit funding method has been used to determine the past service liabilities at the valuation date and the projected annual expense in the year following the valuation date. The valuation was performed by ZAQ Consultants and Actuaries.

The main reasons for the actuarial gain can be attributed to the following factors:

1. Changes in economic variables – We used the nominal and real zero curves as at 30 June 2017 supplied by the JSE to determine out discount rates and CPI assumptions at each relevant time period. As a result the interest rates, bond yields and inflation figures changed. This resulted in an overall decrease in the liability of around R 3,585,000.
2. Changes in membership and other smaller assumptions – There were various changes in the membership data between the two valuations and more members left the data set than assumed. The in-service members decreased 9.6% while the pensioners decreased by 2.7%. The net effect of these and other smaller changes in assumptions and experience was a decrease in the liability of around R 5,300,000.

Key assumptions used

GRAP 25 defines the determination of the discount rate assumption to be used as follows:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

Discount rate

The nominal and real zero curves as at 30 June 2017 supplied by the JSE was used to determine the discount rates and CPI assumptions at each relevant time period.

Medical aid inflation

The medical aid contribution inflation rate was set with reference to the past relationship between the (yield curve based) discount rate for each relevant time period and the (yield curve based) medical aid contribution inflation for each relevant time period

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would out-strip general inflation by 1% per annum over the foreseeable future

Average retirement age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill health and early retirements.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

	2017 R	2016 R
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38. Employee benefit obligations (continued)

Normal retirement age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

On the basis of the information supplied and the actuarial assumptions used, the value of the Municipality's liability for future subsidies of medical aid contributions has been calculated as at the valuation date, and is summarised below.

Accrued liability

The accrued liability is given below and is split between the current employees and continuation members (pensioners).

Category		
Current (in service) members	29,077,000	29,255,000
Continuation members (Pensioners)	96,580,000	94,371,000
	<u>125,657,000</u>	<u>123,626,000</u>

Key financial assumptions

Withdrawal from service (sample annual rates)

2016/2017

Age	Female	Male
20-24	24%	16%
25-29	18%	12%
30-34	15%	10%
35-39	10%	8%
40-44	6%	6%
45-49	4%	4%
50-54	2%	2%
55-59	1%	1%
60+	0%	0%

2015/2016

Age	Female	Male
20-24	24%	16%
25-29	18%	12%
30-34	15%	10%
35-39	10%	8%
40-44	6%	6%
45-49	4%	4%
50-54	2%	2%
55-59	1%	1%
60+	0%	0%

Comparison with the preceding valuation

The section below compares the figures between the valuation dates and summarises the primary reasons for the changes in the liabilities since the last valuation

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

	2017 R	2016 R
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38. Employee benefit obligations (continued)

Membership changes

Changes to current (in-service) membership as at the valuation dates:

	30-06-2017 Valuation	30-06-2016 Valuation	% Change
Number of active employees	131	113	15.9%
Proportion male	71%	69%	2.8%
Subsidy weighted average age	52.2	53.51	-2.5%
Subsidy weighted average past service	23.84	26.65	-10.5%
Average monthly subsidy	R3 520	R3 340	5.4%

Changes to continuation membership (pensioners' membership) as at the valuation dates:

	30-06-2017 Valuation	30-06-2016 Valuation	% Change
Number of principal members	257	254	1.2%
Proportion male	40%	41%	-2.1%
Subsidy weighted average age	74.64	74.89	-0.3%
Average monthly subsidy	R3 250	R3 180	2.2%

The projections assume that the municipality's health care arrangements and subsidy policy will remain as outlined and that no contributions are made by the municipality towards prefunding its liability via an off-balance sheet vehicle.

Contributions or benefits paid refer to medical scheme contributions made by the municipality with respect to its subsidy of current continuation members. There are no past service costs, curtailments or settlements to reflect.

Valuation of assets

As at the valuation date, the medical aid liability of the municipality was unfunded, i.e. no dedicated assets have been set aside to meet the liability. The municipality therefore did not consider any assets as part of valuation.

Long service awards

The projected unit credit method has been used in the actuarial valuation of the liabilities. The valuation was performed by ZAQ Consultants and Actuaries.

Opening accrued liability	85,211,000	76,066,000
Current service costs	6,805,000	5,787,000
Interest costs	7,805,000	6,483,000
Benefit vestings	(5,850,000)	(4,167,305)
Actuarial loss(gain)	(9,867,000)	1,042,305
	84,104,000	85,211,000

The main reasons for the actuarial gain can be attributed to the following factors:

Changes in economic variables

1. Changes in economic variables – In this year's valuation the nominal and real zero curves as at 30 June 2017 supplied by the JSE were used to determine the discount rates and CPI assumptions at each relevant time period. As a result the interest rates, bond yields and inflation figures changed. This resulted in a decrease in liability of around R 4 000 000

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

	2017 R	2016 R
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38. Employee benefit obligations (continued)

2. Membership data changes – Over the past financial year, there were various membership changes in the data. This, along with some other smaller changes, resulted in an overall decrease in liability of around R 5 867 000.

Financial variables

The following values for these variables were assumed:

Financial variable		
Discount rate	9.13%	9.02%
CPI(Consumer price inflation)	6.61%	7.26%
Normal salary increase rate	7.61%	8.26%
net effective discount rate	1.41%	0.70%

Discount rate

GRAP 25 defines the determination of the discount rate assumption to be used as follows:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

To obtain the applicable discount rate, the implied duration of the liability to obtain an appropriate interest rate on the yield curve was used. The nominal and real zero curves as at 30 June 2017 supplied by the JSE to determine the discounted rates and CPI assumptions was used.

Normal salary inflation rate

The underlying future rate of consumer price index inflation (CPI inflation) from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) were derived. Inflation-linked Bond rate for each relevant time period. The assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2017 of 7.36%.

Average retirement age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill health and early retirements.

Normal retirement age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality rates

Mortality before retirement has been based on the SA 85-90 mortality tables.

Key demographic assumptions 2017

Withdrawal decrements

A table setting out the assumed rates of withdrawal from service is set out below:

Age band

	Withdrawal rate (males)	Withdrawal rate (Females)
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Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

	2017 R	2016 R
38. Employee benefit obligations (continued)		
20-24	16%	24%
25-29	12%	18%
30-34	10%	15%
35-39	8%	10%
40-44	6%	5%
45-49	4%	4%
50-54	2%	2%
55-59	1%	1%
60+	0%	0%

The projections assume that the LSA arrangements will remain as outlined and that all the actuarial assumptions made are borne out of practice. In addition, it is assumed that no contributions are made by the employer towards prefunding its liability via an off-balance sheet vehicle. There are no past service costs, curtailments or settlements to reflect.

Full details are included in the actuarial valuation report at the municipality.

The projections assume that the LSA arrangements will remain as outlined and that all the actuarial assumptions made are borne out of practice. In addition, it is assumed that no contributions are made by the employer towards prefunding its liability via an off balance sheet vehicle. There are no past service costs, curtailments or settlements to reflect.

Withdrawal rate

Deviations from the assumed level of withdrawal experience of the eligible employees will have a large impact on the actual cost to the Municipality. If the actual rates of withdrawal turns out to be higher than the rates assumed in the valuation basis, then the cost to the municipality in the form of benefits will reduce and vice versa.

The effect of higher and lower withdrawal rates are illustrated by increasing and decreasing the withdrawal rate by 20%. The effect is as follows:

	-0.20% withdrawal rate	Valuation assumption	+0.20 withdrawal rate
Total accrued liability	87,904,000	84,104,000	80,662,000
Current service cost	6,541,000	6,104,000	5,718,000
Interest cost	8,054,000	7,687,000	7,355,000

Normal salary inflation

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future retirees.

The effect of a 1% p.a. change in normal salary inflation was tested and the effect is as follows:

	-1% Normal salary inflation	Valuation assumption	+1 Normal salary inflation
Total accrued liability	78,574,000	84,104,000	90,239,000
Current service cost	5,611,000	6,104,000	6,661,000
Interest cost	7,160,000	7,687,000	8,272,000

Changes in the value obligation:

	Current valuation date 30-06-2017	1 year following the valuation date	2 years following the valuation date	3 years following the valuation date
PV of the obligation as at the previous valuation date	85,211,000	84,104,000	92,248,000	101,021,868
Current service cost	6,805,000	6,104,000	6,416,810	6,770,532
Interest cost	7,805,000	7,687,000	8,434,058	9,229,775

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

			2017 R	2016 R
38. Employee benefit obligations (continued)				
Benefits paid	(5,850,000)	(5,647,000)	(6,077,000)	(6,540,000)
Actuarial loss/ (gain)	(9,867,000)	-	-	-
	84,104,000	92,248,000	101,021,868	110,482,175

Amounts recognised in statement of financial position and statement of financial performance	Current valuation date 30-06-2017	1 year following the valuation date	2 years following the valuation date	3 years following the valuation date
Liability recognised in statement of financial position	84,104,000	92,248,000	101,021,868	110,482,176
Current service cost in statement of financial performance	6,805,000	6,104,000	6,416,810	6,770,532
Interest cost in statement of financial performance	7,805,000	7,687,000	8,434,058	9,229,775
Actuarial loss/(gain) in OCI	(9,867,000)	-	-	-

Long service awards:

The awarded leave days were converted to a percentage of annual salary by assuming there are 250 working days per year. The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth. The table below contains a summary of the benefit policy:

Long service awards for levels of past service

Completed years of service

Completed years of service	Total long service benefit award(% of annual salary)	Formula used to calculate long service benefit award
10	4%	(10/250)*annual salary
15	8%	(20/250)*annual salary
20 and every 5 years after	12%	(30/250)*annual salary

Monetary gifts for levels of past service

	Rand amount
20	8,110
25	8,110
30	11,363
35	14,126
40 and every five years after	19,649

Specifics:

- In the month that each "completed service" milestone is reached, the employee is granted long service award
- Working days awarded are valued at 1/250th of annual salary per day;
- These monetary amounts increase at CPI + 1% each year; and

The amounts stated in the previous report have been inflated by 7.36% in order to obtain the current levels.

Retirement gifts per level of service of retirement

Completed years of service	Rand amount
15	1,33

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

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	2017 R	2016 R
38. Employee benefit obligations (continued)		
20		3,931
25		5,682
30		11,363
35 and every five years after		19,649

The above monetary amounts increase at CPI+ 1% each year, and the amounts stated in the previous report have been inflated by 7.36% in order to obtain the current levels.

Valuation of assets

At the valuation date the long service leave award liability of the municipality was unfunded, i.e no dedicated assets have been set aside to meet this liability. The municipality therefore did not value any assets as part of this valuation

39. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government Gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the third quarter financial statements.

The above services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Description

Deviations	25,930,245	42,041,412
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Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

	2017 R	2016 R
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40. Budget differences

Material differences between budget and actual amounts

(a) Finance income

The revenue includes interest on debtors which were high due to the high debtors book.

(b) Trade and other licenses

The income relates to trade licences in the health department and funeral parlour permits. The income performed more than was anticipated.

(c) Actuarial gain

Actuarial gains and losses cannot be determined at the time of budgeting thus the variance.

(d) Depreciation and amortisation

Insufficient provision was made in the budget for the line item.

(e) Imputed interest

This is interest on creditors outstanding beyond payment terms. The amount is not known at the time of budgeting.

(f) Loss on disposal of assets

It is not known at the time of budgeting whether assets will be disposed of and the result thereof.

(g) General expenses

Indigent support expenditure was exceeded. Assumed indigent support is assumed to be 30kl which increased the subsidy costs and exceeded budget.

(h) Fair value adjustment

Fair value adjustments or reversals on assets are not known at the time of budgeting.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

	2017 R	2016 R
40. Budget differences (continued)		
(i) Cash and cash equivalents		
This includes call deposits on grants which were not fully spent at year end. It was anticipated that all will be spent at the time of budgeting.		
(j) Other receivables from non-exchange transactions		
Receivables are less than budgeted due to the provision for bad / doubtful debts. Please refer to the relevant note for the movement thereof and the movement in the provision for bad debts.		
(k) Value added tax receivable		
The value added tax receivable / payable is not known at the time of budgeting.		
(l) Sanlam shares		
Provision was not made for the Sanlam investment in the budgeted Statement of Financial Position.		
(m) Trade and other payables from exchange transactions		
More expenditure was incurred which was accrued at year-end due to cash flow constraints. The liability was anticipated to be less at the time of budgeting.		
(n) Unspent conditional grants and receipts		
It was planned that all conditional grants would be spent by the end of the financial year which did not realise.		
(o) Borrowings		
It was anticipated that the short-term borrowings would decrease from the 2014/2015 financial year after payments are made in the 2015/2016 financial year.		
(p) Provisions		
Short-term provisions increased. The budget amount is based on the performance as at mid-term.		
(q) Bank overdraft		
It was anticipated that the bank overdraft would be settled at year-end as required by law.		
(r) Consumer deposits		
Less consumer deposits were provided for in the budgeted statement of position.		
(s) Employee benefit obligations		
The budgeted provisions amount includes employee benefit obligations below which when factored in results in a variance of - 4% which is not material		
(t) Donations		
This is due to developer-created assets which were donated to the municipality.		

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

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41. Risk management

Capital risk management

The capital structure of the municipality consists of debt, which includes the borrowings, cash and cash equivalents, and equity.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Financial risk management

The municipality's activities expose it to a variety of financial risks, credit risk and liquidity risk.

Risk management is carried out under policies approved by the accounting officer. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

Credit risk

The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Consumer debtors comprise of a large of rate payers, dispersed across different industries and geographical areas. Consumer debtors are presented net of provision impairment. In the case of debtors whose accounts become in arrears, it is endeavored to collect such accounts by levying of penalty charges, demand for payment and as a last resort handed over for collection, whichever procedure is applicable in terms of Council's credit control and debt collection policy.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the municipality maintains flexibility in funding by maintaining availability under committed credit lines.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Management plans to maintain adequate cash flows by alternative means such:

- disposal of assets
- Investigating other revenue enhancement possibilities and
- improving debt collection

to ensure that funds will be available to finance future operations and that realisation of assets and settlements of liabilities, contingents and commitments will occur in the ordinary course of business.

42. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

During the period under review the municipality made a loss of R 353,280,430. Although the current liabilities of the current year exceed the current assets with R647 188 835 the municipality had an accumulated surplus of R 10,147,075,254. The total assets exceed total liabilities with R 10,171,295,724.

In assessing whether the the going concern basis is appropriate, management considered a wide range of factors surrounding current and expected performance, expected short and medium term economic environment in which the municipality operates, potential estimates of revenue, the power to levy rates and taxes and the fact that there are various multi-year funding arrangements in place that will ensure the continued operation of the municipality.

The municipality has adopted the four(4) pillars turnaround strategy in addressing going concern issues experienced by the municipality. These pillars are: a) Improve collection, b) Reduce distribution losses, c) Saving on expenditure and d) Credible indigent register.

Emfuleni Local Municipality

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	2017 R	2016 R
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42. Going concern (continued)

Provincial Treasury has established the Emfuleni Support Team(EST) in collaboration with Sedibeng District Municipality(SDM) and Emfuleni Local Municipality to address amongst others cash flow and service delivery challenges

43. Awards to close family member of an official/councillor

Employee name	Capacity	Amount (R)
SI Du Toit	Storeman	665,454
N Radebe	Senior clerk	210,459
PM Thusi	Adim clerk	29,423
		905,336

44. Capital commitments

The Council has committed itself to the following capital projects:

Already contracted for but not provided for

• Infrastructure	494,550,385	378,321,584
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This expenditure will be financed from:

• Municipal infrastructure grant	398,442,494	278,828,720
• Government grants	43,023,381	49,858,870
• Council funds	53,084,510	49,633,994
	494,550,385	378,321,584

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

45. Public private partnerships

Background

On the 2nd of December 2013, the municipality entered into an agreement with Beijing Fuxing Xiaocheng Electronic Technology Stoc Co. Ltd. (FXXC) for the supply and installation of 66 000 electricity single phase meters, 5 100 three phase meters and 83 123 water meters. The cost per meter and financial benefit to be derived from the installation of these meters are uncertain and is dependent on:

- Increasing user payment collections; and
- Reducing the bulk purchase costs incurred by the municipality for both water and electricity, where this performance must have a positive impact on the benchmarked operating losses incurred by the municipality for both water and electricity operating cycles.

Even though the installed items will take on the inherent attributes of an asset, the control and risk associated with the meters vest with the supplier for the duration of the contract, while the mandated responsibility of water and electricity supply cannot be ceded to the third party. Since the risk and reward associated with these items are contingent to the performance of the supplier, the installed items cannot be reasonably be recognised under Property, Plant and Equipment and is disclosed as a contingent assets

46. Operating lease

Operating leases - municipality as a lessor - property

Within one year	109,170	352,084
In second to fifth year inclusive	39,268	148,438
	148,438	500,522

Operating leases - municipality as a lessee - fleet

Within one year	15,223,077	25,986,200
In second to fifth year inclusive	-	15,405,187
	15,223,077	41,391,387

Operating leases - municipality as a lessee - property

Within one year	7,535,072	7,535,072
In second to fifth year inclusive	31,998,665	39,533,737
	39,533,737	47,068,809

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

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46. Operating lease (continued)

Operating leases - municipality as a lessee - office equipment

Within one year	42,853	97,253
In second to fifth year inclusive	-	1,077
	<u>42,853</u>	<u>98,330</u>

Operating leases - Municipality as Lessor - Property

These leases are in respect of municipal property that is leased to third parties. These leases are payable by lessees, either monthly or annually. Leases escalate at annual fixed rates that vary between 0% and 8.5%

No contingent rent was recognised as revenue because rentals increases are escalated at a fixed percentage. Increases are not based on indices that result in a fluctuating interest rate.

Operating leases - Municipality as lessee - Property

Operating lease payments are recognised as an expense on a straight line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Operating Leases - Municipality as lessee - Fleet

Operating lease payments are recognised as an expense on a straight line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Operating leases - Municipality as lessee - Office equipment

Operating lease payments are recognised as an expense on a straight line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

47. Self - Insurance reserve

Opening balance	24,220,470	25,578,843
Expenditure	(22,080,918)	(1,358,373)
	<u>2,139,552</u>	<u>24,220,470</u>

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Annual Financial Statements for the year ended 30 June 2017

Emfuleni Local Municipality
Appendix A

Schedule of external loans as at 30 June 2017

Loan Number	Redeemable	Balance at Thursday, 30 June 2016 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at Friday, 30 June 2017 Rand
Development Bank of South Africa					
13554/101	30.09.2020	13 964 687	-	2 339 087	11 625 600
13959/101	31.03.2017	1 929 217	-	1 929 217	-
		15 893 904	-	4 268 304	11 625 600
Lease liability					
Meso Automation	01.11.2019	20 435 049	-	4 227 088	16 207 961
Fleet Horizon Solutions	01.12.2019	1 383 567	-	71 459	1 312 108
		21 818 616	-	4 298 547	17 520 069
Total external loans					
Development Bank of South Africa		15 893 904	-	4 268 304	11 625 600
Lease liability		21 818 616	-	4 298 547	17 520 069
		37 712 520	-	8 566 851	29 145 669

Emfuleni Local Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2017
Cost/Revaluation

Accumulated depreciation

	Opening Balance		Additions		Donated and newly identified assets		AUC transfers		Fair value adjustments / Provision		Disposals/De-recognition		Closing Balance		Depreciation		Derecognition / Transfer		Opening Balance		Impairment loss		Closing Balance		Carrying value	
	Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand	
Building Property	516 408 823	-	-	-	-	-	-	-	50 925	(5 050 000)	-	-	511 409 748	-	(27 785 509)	-	-	-	(232 034 943)	-	-	-	(259 880 452)	-	251 529 296	
	30 381 654	-	-	-	-	-	-	-	-	-	-	-	30 381 654	-	(558 651)	-	-	-	(5 158 634)	-	-	-	(6 718 286)	-	24 663 369	
	546 790 477	-	-	-	-	-	-	-	50 925	(5 050 000)	-	-	541 791 402	-	(28 344 160)	-	-	-	(237 254 577)	-	-	-	(265 598 737)	-	276 192 665	
Infrastructure	2 314 115 827	490 528	4 269 240	1 058 945	-	-	-	-	-	(182 099)	-	-	2 319 752 441	65 356	(77 194 869)	-	-	-	(636 451 475)	65 356	-	-	(713 580 988)	-	1 606 171 453	
	7 109 724 169	-	-	92 548 247	-	-	-	-	-	-	-	-	7 202 272 416	-	(232 087 268)	-	-	-	(2 021 371 028)	-	-	-	(2 263 836 382)	-	4 938 436 054	
	1 309 205 489	1 012 334	471 855	-	-	-	-	-	-	-	-	-	1 310 699 678	-	(34 258 361)	-	-	-	(461 810 213)	-	-	-	(496 068 574)	-	814 621 104	
	144 875 853	-	-	12 555 634	-	-	-	-	-	-	-	-	157 531 487	-	(25 382 000)	-	-	-	(44 065 644)	-	-	-	(69 447 644)	-	88 063 843	
	929 820 714	-	-	-	-	-	-	-	-	-	-	-	929 820 714	-	(28 487 309)	-	-	-	(248 716 555)	-	-	-	(277 203 864)	-	652 616 850	
	11 807 842 052	1 502 862	4 741 095	106 162 826	-	-	-	-	-	(182 099)	-	-	11 920 066 736	65 356	(397 409 807)	-	-	-	(3 412 414 915)	65 356	-	-	(3 820 137 432)	-	8 099 929 304	
Community Assets	522 048 500	520 957	-	28 402 070	-	-	-	-	-	(88 000)	-	-	550 881 527	-	(10 043 953)	-	-	-	(50 844 253)	-	-	-	(66 561 887)	-	484 329 640	
	203 955 358	-	-	-	-	-	-	-	-	-	-	-	203 955 358	-	(8 954 259)	-	-	-	(75 871 434)	-	-	-	(84 825 683)	-	119 130 665	
	726 002 858	520 957	-	28 402 070	-	-	-	-	-	(88 000)	-	-	754 837 885	-	(18 998 212)	-	-	-	(126 715 687)	-	-	-	(151 377 580)	-	603 460 305	

Emfuleni Local Municipality Appendix B

Analysis of property, plant and equipment as at 30 June 2017 Cost/Revaluation Accumulated depreciation

	Opening Balance		Additions		Disposals/De-recognition		Closing Balance		Opening Balance		Depreciation		Impairment loss		Closing Balance		Carrying value	
	Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand	
Heritage assets																		
Heritage asset	90 316	-	-	-	-	-	90 316	-	-	-	-	-	-	-	-	-	90 316	-
	90 316	-	-	-	-	-	90 316	-	-	-	-	-	-	-	-	-	90 316	-
Other assets																		
Machinery and equipment	65 356 950	6 037 977	-	(1 345 601)	860 167	(1 322 146)	72 587 347	(48 240 408)	2 313 860	(2 269 040)	(329 289)	(49 524 877)	23 062 470					
Furniture and office equipment	34 503 349	2 837 288	-	(1 571 606)	544 777	(550 537)	35 863 271	(24 403 642)	1 460 193	(2 164 060)	(26 207)	(25 133 746)	10 729 525					
Computer Equipment	19 624 015	3 780 359	-	(27 419)	158 756	(916 115)	22 619 596	(13 196 341)	847 567	(2 217 222)	(81 350)	(14 647 348)	7 972 250					
Transport asset	166 457 423	-	-	2 944 626	31 723	(8 929 275)	160 504 497	(18 319 314)	4 181 869	(2 617 840)	(318 708)	(117 073 993)	33 430 504					
Finance leased assets	2 190 094	21 818 616	-	-	-	-	24 008 710	(1 672 314)	-	(5 801 665)	-	(7 273 979)	16 734 731					
Library books	38 940 355	1 168 418	1 194 528	-	69 142	-	41 372 443	(29 290 032)	-	(1 266 576)	(18 359)	(30 575 069)	10 797 374					
	320 072 186	35 742 658	1 194 528	-	1 664 565	(11 718 073)	346 955 864	(236 122 051)	8 803 489	(16 136 535)	(773 913)	(244 229 010)	102 726 854					
Total property plant and equipment	13 400 797 889	37 766 477	5 935 623	134 564 896	1 715 490	(17 038 172)	13 563 742 203	(4 012 507 230)	8 868 845	(460 888 714)	(16 815 660)	(4 481 342 759)	9 082 399 444					
Assets under construction																		
Assets under construction	504 727 890	214 298 353	-	(134 564 896)	-	-	584 461 347	-	-	-	-	-	-	-	-	-	584 461 347	-
	504 727 890	214 298 353	-	(134 564 896)	-	-	584 461 347	-	-	-	-	-	-	-	-	-	584 461 347	-
Intangible assets																		
Servitudes	13 849 516	-	-	-	-	-	13 849 516	-	-	-	-	-	-	-	-	-	13 849 516	-
Computer software	30 923 752	1 311 592	-	-	-	-	32 235 344	(26 723 819)	-	(1 522 711)	-	(28 246 530)	3 988 814					
	44 773 268	1 311 592	-	-	-	-	46 084 860	(26 723 819)	-	(1 522 711)	-	(28 246 530)	17 838 330					
Investment property	1 400 653 455	-	-	-	188 542 824	(5 602 370)	1 583 593 909	-	-	-	-	-	-	-	-	-	1 583 593 909	-
	1 400 653 455	-	-	-	188 542 824	(5 602 370)	1 583 593 909	-	-	-	-	-	-	-	-	-	1 583 593 909	-
Total																		
Building Property	546 790 477	1 502 862	4 741 095	106 162 826	50 925	(5 050 000)	541 791 402	(237 254 577)	-	(28 344 160)	-	(265 598 737)	276 192 665					
Infrastructure	11 807 842 052	520 957	-	28 402 070	-	(182 099)	11 920 066 736	(3 412 414 915)	65 356	(397 408 807)	(10 378 066)	(3 820 137 432)	8 099 929 304					
Community Assets	726 002 858	-	-	-	-	(88 000)	754 837 885	(126 715 687)	-	(18 998 212)	(5 663 661)	(181 377 560)	603 460 305					
Heritage assets	90 316	-	-	-	-	-	90 316	-	-	-	-	-	90 316					
Other assets	320 072 186	35 742 658	1 194 528	-	1 664 565	(11 718 073)	346 955 864	(236 122 051)	8 803 489	(16 136 535)	(773 913)	(244 229 010)	102 726 854					
Assets under construction	504 727 890	214 298 353	-	(134 564 896)	-	-	584 461 347	(26 723 819)	-	(1 522 711)	-	(28 246 530)	3 988 814					
Intangible assets	1 400 653 455	-	-	-	188 542 824	(5 602 370)	1 583 593 909	-	-	-	-	-	1 583 593 909					
	15 350 952 502	253 376 422	5 935 623	-	190 258 314	(22 640 542)	15 777 882 319	(4 039 231 049)	8 868 845	(462 411 425)	(16 815 660)	(4 509 589 289)	11 268 293 030					

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Appendix B

Analysis of property, plant and equipment as at 30 June 2017
Cost/Revaluation Accumulated depreciation

Operating Balance	Additions	Donated and newly identified assets	AUC transfers	Fair value adjustments / Provision	Disposals/De-recognition	Closing Balance	Opening Balance	Derecognition /Transfer	Depreciation	Impairment loss	Closing Balance	Carrying value
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand